



Squaring the circle

Pay and jobs in the world economy

Samuel Brittan, Page 13



Sign of the times

Advertisers' dream in Russian cities

Page 8



Man v machines

Can computer models beat the market?

Page 10



US takeovers

Rumour mania back in full swing

Page 12

FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY SEPTEMBER 22 1994

Bonn lifts growth forecast to 2.5% ahead of election



German economic growth was forecast to increase next year after this year's faster-than-expected recovery from recession. Economics minister Ginter Rexrodt (left) told parliament the economy to grow by 3 per cent in 1995. For this year he estimated that expansion would reach 2.5 per cent instead of a previously projected 2.25 per cent. The optimistic predictions, just ahead of the October 16 federal elections, coincided with the release of data showing a slower-than-expected growth in August money supply. Page 14 and Lex

Cash flows out of BAE: Underlying profits at British Aerospace trebled to £90m (£133m) from £30m in the six months to June 30, but BAE shares fell 50p to 445p when the market learned that the company saw a first-half cash outflow despite the £200m sale of Rover to German carmaker BMW. Page 15; Lex, Page 14

Polish PM accused over self-off delay: Polish prime minister Waldemar Pawlak was accused of blocking the country's privatisation scheme, which was launched four years ago and has limped through five governments. Page 2

IMI half-year profits down: Consolidated interim profits at partly-privatised Italian banking group Istituto Mobiliare Italiano fell to £208.1bn (£133m) from £238bn because of difficult financial markets. Page 16

No charges against Michael Jackson: Prosecutors in Los Angeles said they would not bring criminal charges against Michael Jackson despite a 14-year-old boy's claims that the singer sexually molested him.

UK's non-EU exports rise: British exports to countries outside the European Union rose to record levels last month, with UK manufacturers reaping the benefits of strong growth in the US and Far Eastern economies. Page 7

Lehman Brothers barely breaks even: Lehman Brothers US investment bank spun off from American Express, barely broke even in the three months to the end of August, managing a return on capital of 1.6 per cent. Page 16

Arjo not to bid for US paper mills: Shares in Arjo Wiggins Appleton rose 12p to 263p after the Anglo-French paper group denied it would bid for S. Warren, owner of four big US paper mills, which is being auctioned by Scott Paper Company. Page 16; Lex, Page 14

Chilean cabinet changed after criticism: After only six months in office, Chilean president Eduardo Frei of Chile reshuffled his cabinet in response to criticism. Page 6

Pakistan to buy French submarines: Pakistan said it would buy three Agosta class submarines from France in a deal worth \$950m (£613m). Page 3; Thaw sets in with Pakistan, Page 4

Japan's GDP down 0.4% in quarter: The weakness of Japan's economic recovery was underlined by figures showing a drop of 0.4 per cent in gross domestic product in the second quarter. Page 5

Tokyo brokers lower forecasts: Sluggish trading volume on the Tokyo stock market has led Japan's "big four" brokers - Nomura, Daiwa, Nikko and Yamachai - to revise downwards their interim earnings forecasts. Page 19

England striker Gary Lineker to retire: Former England striker Gary Lineker (left) is to retire from soccer in November because of injury problems. Lineker, 35, joined his home-town club Leicester in 1978 and later played for Everton, Barcelona and Tottenham before moving to Japanese side Crampus Eight. During his 80-cap England career he scored 48 goals, one short of Bobby Charlton's record.



Spanish incentives boost car sales: The Spanish motor industry claimed that new car sales rose by 85,000 in the five months to August because of government financial incentives for the scrapping of old cars. Page 2

STOCK MARKET INDICES		STERLING	
FT-SE 100	3914.8 (-22.5)	New York Exchange	1,578
Yield	4.18	London	1.578
FT-SE 100	1340.34 (-1.59)	DM	1,578 (1.574)
FT-SE All-Share	1,916.33 (-0.67)	FF	2,436 (2.444)
Nikkei	19,855.38 (-48.11)	FF	8,335 (8.357)
New York Exchange	2,942.05 (-25.24)	SFR	2,919 (2.954)
Dow Jones Ind. Ave.	3,942.05 (-25.24)	Y	184.16 (184.068)
S&P Composite	461.20 (-2.18)	£ Index	78.7 (78.9)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	4.5%	New York Exchange	1,578
3-mo Treas. Bk. Yld.	4.833%	London	1.578
Long Bond	9.1%	DM	1,578 (1.574)
Yield	7.791%	FF	2,436 (2.444)
LONDON MONEY		FF	8,335 (8.357)
3-mo Interbank	8.13% (8.13%)	SFR	2,919 (2.954)
Life long gilt yield	Dec 90's (Dec 90's)	Y	184.16 (184.068)
10-yr gilt yield	10.15% (10.15%)	£ Index	78.7 (78.9)
NORTH SEA OIL (Argus)		DOLLAR	
Brent 15-day (Nov)	\$16.185	New York Exchange	1,578
WTI 15-day (Nov)	\$15.185	London	1.578
New York Crude (Dec)	\$29.78 (307.1)	DM	1,578 (1.574)
London	\$29.78 (307.1)	FF	2,436 (2.444)

Austria	50.32	Greece	10.50	Mexico	10.50	Qatar	10.50
Belgium	10.50	Hungary	10.50	Morocco	10.50	Saudi Arabia	10.50
Denmark	10.50	Ireland	10.50	Nigeria	10.50	Singapore	10.50
France	10.50	Italy	10.50	Poland	10.50	Slovakia	10.50
Germany	10.50	Japan	10.50	Portugal	10.50	Slovenia	10.50
Greece	10.50	South Korea	10.50	Romania	10.50	Sri Lanka	10.50
Hungary	10.50	Spain	10.50	Russia	10.50	Taiwan	10.50
Ireland	10.50	Sweden	10.50	Saudi Arabia	10.50	Thailand	10.50
Italy	10.50	Switzerland	10.50	Singapore	10.50	Turkey	10.50
Japan	10.50	United Kingdom	10.50	Slovakia	10.50	UAE	10.50
Korea	10.50	USA	10.50	Slovenia	10.50		
Latvia	10.50			Sri Lanka	10.50		
Lithuania	10.50			Taiwan	10.50		
Malaysia	10.50			Thailand	10.50		
Malta	10.50			Turkey	10.50		
Mexico	10.50			UAE	10.50		
Moldova	10.50						
Monaco	10.50						
Morocco	10.50						
Netherlands	10.50						
Norway	10.50						
Poland	10.50						
Portugal	10.50						
Romania	10.50						
Russia	10.50						
Saudi Arabia	10.50						
Singapore	10.50						
Slovakia	10.50						
Slovenia	10.50						
Sri Lanka	10.50						
Taiwan	10.50						
Thailand	10.50						
Turkey	10.50						
UAE	10.50						
USA	10.50						
UK	10.50						
Yugoslavia	10.50						

Thatcher backs down in S Africa row with Major

By Kevin Brown, Political Correspondent, in Johannesburg

UK prime minister speaks of optimism for country's future

Mr John Major, UK prime minister, won a signal victory over Baroness Thatcher, his predecessor, last night when the former prime minister backed down after a long-distance row over South Africa's economic prospects.

She told businessmen at an official British gathering in Bombay that investors were afraid of violence and social unrest in South Africa, in spite of the formation of a government of national unity after the country's first all-race elections in April.

Lady Thatcher, who also described Nigeria as "a terrible mess", pointed to tensions between Zulu leaders as evidence of continuing friction in South Africa. "There will be a certain amount of trouble there. This is why people are holding back," she said.

However, after a vigorous rejection of her view by Mr Major and British business leaders, Lady Thatcher issued a statement saying that she "fully supports the new democratic government of South Africa and feels that the country will attract the inward investment it so much needs".

In a clear attempt to repair the diplomatic damage in South Africa, the statement said that Lady Thatcher "further hopes that the prime minister's present mission to that country will be highly successful".

was out of touch with events in South Africa.

In a speech to businessmen in Johannesburg he said South African optimism about the future was "well founded" and a "vast array" of investors was willing to invest.

Mr Major was backed by Mr Howard Davies, head of the Confederation of British Industry, who yesterday met several dozen top South African business people to debate economic prospects and business opportunities.

Major impresses, Page 4

Editorial Comment, Page 13

Aristide forms Haiti transition government team

By James Harding in Port-au-Prince and George Graham in Washington

Haiti's exiled president Jean-Bertrand Aristide appealed for calm in his country yesterday and announced the formation of a transition team to pave the way for his return before October 15.

He said the police were made up of "various factions... some of these General Cedras does not have control of". The statement will fuel concerns among those who feel the partnership - with men whom US president Bill Clinton last week criticised for despicable brutality - is untenable.

Even some members of the US 10th Mountain Division in Port-au-Prince confessed to feeling "helpless" and "frustrated" at not being allowed to intervene.

Some said their rules of engagement remained loosely defined, which allowed one group of servicemen to arrest three Haitian soldiers found near a small US ammunition stockpile.

There were reports of another scuffle near the airport yesterday. With nearly 10,000 US troops expected to have reached Haiti by last night, Mr Clinton's top aides in Washington echoed the claim of Gen Shelton that the beatings of supporters of Mr Aristide were "isolated instances".

Mr Leon Panetta, White House chief of staff, said: "There's no question these are tragic and disturbing scenes that affect us all."

His announcement, after talks with other party leaders, disappointed business leaders who had hoped he might try to form a majority coalition with the centrist Liberal party.

The news was not unexpected and markets responded calmly. Bond yields edged up and both the krona and share prices weakened slightly, but Standard & Poor's, the US rating agency, reaffirmed its rating on Sweden's long-term senior foreign-currency debt at AA plus.

Mr Carlsson said a minority government would be able to deal more effectively with the country's large budget deficit and better assure the country's accession to the European Union than a coalition. He was confident of being able to work across party boundaries and gain support for spending cuts and increased revenue worth SKR16bn (\$3.2bn) to the budget.

"The government which has the best chance to create broad agreement in the Riksdag [parliament] is a Social Democratic government," he said.

The Social Democrats hold 162 seats in the Riksdag, 13 short of a majority. They are likely to rely on the former communist Left party or the Green party on some issues and the Liberals or the Centre party, both members of the outgoing centre-right government, on others. Any one party could provide the necessary support for a majority.

Mr Bengt Westerberg, the Liberal party leader, resigned immediately after Mr Carlsson's statement, criticising the Social Democratic leader for not trying to build a coalition. He indicated during the election that he would step down if his party lost support - which it did - but it was clear that he would have been prepared to stay on to discuss a possible coalition.

NEC plans \$800m microchip plant in Scotland

By Alan Cane in London, William Dawkins in Tokyo and James Buxton in Edinburgh

NEC, the Japanese electronics giant, yesterday announced that it intended to spend ¥800m (\$800m) to build a semiconductor manufacturing plant in Livingston near Edinburgh in Scotland.

Swedish Social Democrats to form minority government

By Christopher Brown-Humes in Stockholm

Mr Ingvar Carlsson, Sweden's prime minister-elect, said yesterday he would form a minority government after the victory of his Social Democratic party in Sunday's elections.

His announcement, after talks with other party leaders, disappointed business leaders who had hoped he might try to form a majority coalition with the centrist Liberal party.

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"The government which has the best chance to create broad agreement in the Riksdag [parliament] is a Social Democratic government," he said.

However, less than half the funds are likely to be spent in the UK. NEC says ¥20bn will be spent on construction while ¥80bn will go on manufacturing equipment. The Japanese company will be working at the limits of semiconductor technology and the equipment to make this

Continued on Page 14 Japan spends, Page 7

Continued on Page 14 Japan spends, Page 7

Danish voters back government



Liberal party leader Uffe Ellemar-Jensen (above) jokes with an election official before casting his vote yesterday in the Danish general election. Exit polls on Danish television indicated his party would achieve the greatest

gains, taking its representation up from 29 seats to about 40, to become the second biggest party after the Social Democrats.

Despite the strong performance by the rightwing Liberals the Social Democratic-led government of Poul Nyrup Rasmussen was set to remain in office even though it looked likely from the exit polls it would need the backing of the leftwing Socialist People's party to remain in power. Report, Page 14

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NEWS: EUROPE

Polish PM accused over sell-off delay

By Christopher Bobinski in Warsaw and Anthony Robinson in London

A political row over the future of Poland's long-delayed mass privatisation programme erupted yesterday, revealing mounting frustration at months of inaction by the Polish prime minister, Mr Waldemar Pawlak.

Mr Pawlak, the privatisation minister, accused Mr Pawlak of blocking the scheme, which was launched four years ago and has limped through five successive governments.

The delays have angered potential foreign participants in the scheme and alarmed the international financial institutions which view privatisation as a test of Poland's reform intentions. Poland's letter of intent for its last \$900m IMF standby agreement promised enactment of the privatisation.

This promise will soon be tested when Poland asks the IMF for \$400m to help fund the \$1.9bn initial costs of the commercial debt reduction agreement which comes into force at the end of next month. The release of IMF funds will only follow a review of the letter of intent.

Mr Pawlak is from the Democratic Left Alliance (SLD), the largest party in a coalition with the Peasants' party (PSL) led by Mr Pawlak. He told a meeting of the privatisation council, an official advisory body, yesterday that it was no longer a question of "mere delays" but that "brakes had been put on the scheme". Up to 450 state companies are due to be handed over to "National Investment Funds" (NIFs) run by foreign and local management groups, with shares in the funds distributed to Poles at a nominal fee. The previous Solidarity govern-

ment approved 350 companies over a year ago and short-listed 19 management groups. Most are alliances between Polish banks and western financial institutions, including Kleinwort Benson, Barclays de Zoete Wedd, Charterhouse and a raft of other European, US and Japanese institutions.

Mr Pawlak has been waiting since July for Mr Pawlak to approve 100 more companies for the scheme. He also expected his signature on a list of members and chairmen of the supervisory boards to oversee the funds before Mr Pawlak left on Tuesday for a visit to China.

Mr Pawlak departed without signing either.

Meanwhile, Mr Alexander Kwasniewski, the SLD chairman, was in London this week complaining that the delay over signing the privatisation into law was part of a pattern of delay and obstruction from a stubborn coalition partner. Mr Pawlak, for his part, has criticised the sell-off for giving too great a role to foreigners in the management of the funds.

Mr Pawlak's failure to approve the last tranche leaves potential fund managers increasingly restless. Mr David Glasgow of Kleinwort Benson warned that further delay could adversely affect the bank's participation in other Polish projects.

Several foreign bidders have spent up to \$1.5m preparing for the scheme and have been waiting for two years in the hope of what could be significant rewards.

UNP, a small London-based investment fund with strong Canadian interests, which has teamed up with Poland's Bank Gdansk and Murray Johnston from Scotland, recently claimed that the consortium stood to earn \$150m in management and success fees over the 10-year life of the funds.



Yevgeny Primakov yesterday: call for CIS defence union

Russia's secrets chief warns west

By John Lloyd in Moscow

The head of Russia's foreign intelligence service yesterday warned the west that it must accept the re-integration of most of the former Soviet Union - or face the danger of a return to cold war postures fed by false fears.

Mr Yevgeny Primakov, in a rare public appearance, said: "Integration [of the Commonwealth of Independent States] is an undoubted fact. If a negative attitude towards this becomes accepted in western capitals, then it could very adversely affect relations between them and Moscow."

Mr Primakov also took the unprecedented step of releasing a report - "Russia-CIS: Does the West Need to Change its Position?" - which says an economic union of the CIS states is inevitable and a defence and political union desirable, and that such unions would safeguard the independent and democratic development of these states.

The report appears only a few days before President Boris Yeltsin leaves for the UK and the US for meetings with Prime Minister John Major and President Bill Clinton. Mr Primakov denied any link between the two events, saying that the report had not yet been shown to the president and that he doubted it would

form part of his talks with the other two leaders.

The report says that leading politicians and analysts in the west see the continued disintegration of the former Soviet Union as being in their interests - while believing that a re-integration is against these interests.

It calls for a recognition that a re-integrated union, shorn of communist ideology and guaranteeing independence to each state, "will lead to stabilisation, promote reform and encourage some CIS countries to opt for a federal structure, all of which will diminish the threat of ethnic and inter-state conflicts within the CIS".

The alternative was a rapid worsening of the economic position in CIS countries, with a "lurch towards nationalism and authoritarian and anti-democratic tendencies".

The report says that Russia has been gravely misunderstood in western "circles", though only two westerners are named: Mr Zbigniew Brzezinski, the former national security adviser to President Jimmy Carter, and a consistent opponent of what he sees as Russian expansionism; and the US secretary of state, Mr Warren Christopher, who is quoted as opposing Russian troops operating abroad.

Brussels setback for media owners

By Emma Tucker in Brussels

The European Commission yesterday backed away from proposals to harmonise rules on media ownership, frightened that action to make it easier for media companies to invest across borders could prompt an outcry from member states.

The decision represents a setback for Commission plans to prepare the single market for the so-called "information society" and the revolution that will come from new communications technologies. Commission officials argue that the current patchwork of national rules hampers investment, while member states see Brussels venturing into areas best left to national governments. Harmonisation of rules

on media ownership was one of four areas identified in the report by Mr Martin Bangemann, EU industry commissioner, on global communications, where Union action was essential to establish a common regulatory framework for the community.

The other fields were privacy, protection of intellectual property rights and encryption.

Mr Raniero Vanni D'Archiraffi, the commissioner responsible for the single market, said yesterday the Commission was preparing a further round of consultation with industry before deciding next year whether media ownership legislation at European level was necessary.

Media companies complain that existing rules are unfair.

For instance there is no limit on the number of satellite television stations that can be owned by one company in the UK, while in Italy no one company can own more than three satellite or terrestrial stations. In France and Spain the limit is one.

In the Netherlands, newspaper publishers with a market share of more than 25 per cent are not allowed to own TV channels.

Single market officials yesterday insisted that initial suggestions put forward on media ownership had been misunderstood. They argued that the Commission did not intend to produce rules that interfered with national policy on media ownership, but ones that would facilitate transnational investments.

"We have defined a middle course which will safeguard a number of interests. The Commission is not seeking to be invasive in this field," said Mr Vanni D'Archiraffi.

He also stressed that the Commission only wanted to proceed cautiously.

"The Commission is dealing with a very delicate matter. We are not talking about taking a fairly firm stance on anything," he said.

The new round of consultations will focus on the content of a possible directive on media ownership. Tentative proposals centre on two criteria: first, assessing the current audience size of an organisation; and second, the other media interests controlled by its owner, the so-called "controller" test.

EUROPEAN NEWS DIGEST

Poll lifeline for German FDP

The Free Democratic party (FDP), the junior liberal partner in Germany's coalition government, may not be wiped out in next month's parliamentary election as a series of opinion polls have forecast. The Allensbach Institute forecasts that the FDP will not manage to cross the 5 per cent threshold of first preferences but will enter the parliament by scoring between 7 and 9 per cent of the second votes which voters give to the candidates of their personal, rather than party, preference. The same poll suggests that ratings for Chancellor Helmut Kohl's Christian Democratic Union (CDU) may have peaked at 41.4 per cent, having picked up steadily from 33 per cent earlier this year. Last week the party was on 42.3 per cent. If, for the first time since it was founded in 1948, the FDP fails to get into the Bundestag, the CDU seems most likely to enter a grand coalition with the opposition Social Democratic party (SPD), which is now on 34.3 per cent, up from 23 per cent a week ago. The poll suggests that the CDU-FDP coalition will together pick up 49.9 per cent of the vote while the SPD-Green opposition is forecast to score 43.8 per cent. *Michael Lindemann, Bonn*

UK may veto paternity leave

The UK is threatening to veto an European Union directive giving fathers time off for the birth of their children, Mr Michael Portillo, the new UK employment secretary, said yesterday. He may also seek a UK opt-out from the parental leave directive at today's meeting of the EU social affairs council in Brussels. Mr Portillo said: "I had hoped to go to my first council meeting with a more co-operative attitude but unfortunately the revival of the parental leave directive makes that impossible." The EU directive on works councils for consulting workers could be passed at today's meeting. The directive - which affects large companies operating in more than one EU country - would be the first for which the UK can opt out. *David Goodhart, London*

Hungary acts to cut deficit

Hungary's new Socialist-dominated coalition government yesterday presented an austerity mini-budget whose cuts in spending and tax increases will disappoint an electorate which voted in the hope of easing the pain of economic transformation. Mr Laszlo Bekesi, finance minister, warned that despite an upturn in industrial production and in exports, the country's trade and budget deficits were worsening and its national debt was increasing rapidly. The mini-budget, the government's first important piece of legislation since taking office in July, aims to keep this year's budget deficit to Ft331.9bn - 6.6 per cent of gross domestic product - by increasing revenues by Ft5.5bn and cutting expenditure by Ft4.5bn. The finance ministry said that without the corrective measures the deficit could soar to more than Ft385bn. Further cuts in public expenditure and reform of the bloated welfare system are essential if Hungary is to secure the three-year International Monetary Fund loan package which Mr Bekesi hopes to discuss with a fund mission to Budapest next month. *Virginia Marsh, Budapest*

Budapest corruption inquiry

Hungary's new Socialist-led government has launched an inquiry into corruption in the privatisation of state companies under the previous conservative administration. State auditors said recently only Ft78bn (\$722m) of the Ft120bn in privatisation revenue projected for 1993 had been collected. The government has set up a committee, which met for the first time yesterday, to examine in particular the 320 companies whose privatisation was rushed through between April and June, just before the change of government. The Interior Ministry, which is overseeing the inquiry, said 70-80 companies were already under investigation following complaints from the public and deputies but that the number was likely to rise. Privatisation officials said typical cases of corruption involved misuse of public funds, tax fraud, undervaluation of companies and sales to preferred purchasers. *Virginia Marsh, Budapest*

Old idea sells Spain's new cars

The Spanish motor industry claimed yesterday that new car sales had been increased by 85,000 in the five months from April to August this year thanks to government financial incentives for the scrapping of old cars. Anfac, the Spanish motor industry federation, called for the scheme, which runs for six months to mid-October, to be extended to run for at least 12 months. According to figures produced by Anfac, the scheme helped new car sales to jump by 23.1 per cent year-on-year to 415,733 during the five-month period. The Spanish government began offering cash incentives in mid-April to persuade owners of old cars to trade in their vehicles for new ones, in an attempt to revive flagging car sales. The launch of the scheme followed similar moves in France and Denmark. Under the terms of the Spanish scheme, the government is offering Ft100,000 (\$775) each time a car which is more than 10 years old is scrapped in exchange for a new car. *Kevin Done, London*

Ireland's only steel mill to close

A liquidator is to be appointed to loss-making state-owned Irish Steel after directors recommended the closure of its Corbesslick steel plant - Ireland's only steel mill - causing the loss of 530 jobs. Mr Ruairi Quinn, minister for enterprise and employment, accepted the board's advice to call in the liquidator after meeting Mr Pat Dineen, Irish Steel chairman, and Mr Leslie Buckley, acting chief executive, last night. The closure follows the failure of the company to win agreement from its craft unions on a survival plan which has been backed by the board, the government, the Irish Congress of Trade Unions and other Irish Steel workers. The survival plan was aimed at increasing flexibility among the workforce but Irish Steel said yesterday that "despite public statements it is now clear that there is no basis for any agreement forthcoming" from the craft unions. *Andrew Baxter, London*

ECONOMIC WATCH

Modest rise in Italian inflation

Italian prices rose 0.3 per cent in August, giving an annualised inflation rate of 3.9 per cent, according to preliminary figures from the Italian National Statistics Institute. The previous government projected an annualised rate of 3.5 per cent at the end of the year, and Confindustria, the industrialists' confederation, had forecast a rise of 4 per cent on the basis that manufacturers usually wait until October to be sure of demand patterns before passing on price rises to consumers. However, this year industrialists were sufficiently confident of the recovery - both export-led and now domestic - that this process had begun in late August. *Robert Graham, Rome*

Denmark's current account surplus fell during the second quarter to DKr2.6bn (£280m) from DKr3.8bn during the same period in 1993. The European Union's annual rate of inflation rose slightly in August but still remained well below the level of a year ago. The rate of inflation last month rose to 3.1 per cent from 3 per cent in July, compared with 3.5 per cent in August 1993. Swedish retail sales declined 4.7 per cent in July compared with July 1993, mainly because of a 13.7 per cent decline in sales of durable goods after unusually warm weather during the month.

Nato diplomats impatient at UN caution in Bosnia

By Bruce Clark, Defence Correspondent

Nato ambassadors yesterday decided to extend air cover by alliance aircraft beyond Bosnia to a small part of Croatia near the Bihac enclave. This means that in principle alliance aircraft could carry out bombing raids against Serb positions in Croatia if the Serbs were attacking UN forces around the Bihac enclave in Bosnia.

The alliance ambassadors agreed that air cover could be extended to the whole of Croatia, but that would require a more complex operation involving the UN authorities in Zagreb.

Yesterday's decision falls short of the imposition of a draconian "exclusion zone" - where all heavy weapons are subject to air strikes. Any move in that direction would require a fresh UN resolution.

However, diplomats said that even limited Nato air raids on Serb positions in Croatia could mark an important twist in the conflict.

Yesterday's meeting in Brussels was the latest in a series of moves towards a tougher Bosnian policy that has been taken at alliance headquarters, where frustration over the cautious tactics of UN commanders on the ground is growing.

The meeting took place amid pressure from US officials for a

toughening of the application of existing policies in Bosnia, including the commitment to maintain six enclaves or "safe havens" for the government side.

They say this is the minimum needed to parry pressure in the US Congress for a unilateral break by Washington with the international peace effort and stronger efforts to assist the Moslem cause.

Bihac has been at the centre of a bitter upsurge in fighting over the past weeks, with Bosnia's Moslem-led government making spectacular gains against the Serbs and driving the local warlord, Fikret Abdic, out of his stronghold.

Fighting has spilled over into Croatia.

Further reverses for the Serbs in the Bihac area would deepen the isolation of the Bosnian Serbs, who are facing a cut-off in support from their kinsmen in Belgrade.

Earlier this week, Gen Sir Michael Rose, the UN commander in Bosnia, raised eyebrows at alliance headquarters by threatening to call down Nato air strikes against Bosnian government forces in Sarajevo, whom he accused of provocation.

Nato officials have said that air raids against the government forces could provoke a bitter political reaction, especially in the US.

French austerity budget freezes spending and increases taxes

By David Buchan and John Ridding in Paris

The French government yesterday unveiled an austerity budget for 1995 which effectively freezes public spending and depends heavily on receipts from higher economic growth and privatisation to slash another FF25bn (\$4.7bn) off the budget deficit.

The conservative prime minister, Mr Edouard Balladur, and his budget minister, Mr Nicolas Sarkozy, described their own handwork as "courageous" in view of the looming presidential election. However, the opposition Socialist party criticised as "unjust" the tax breaks for middle-class employees of domestic servants, while the Patronat employers' federation said the government's intention to prune a tax rebate to compensate could render economic recovery "fragile".

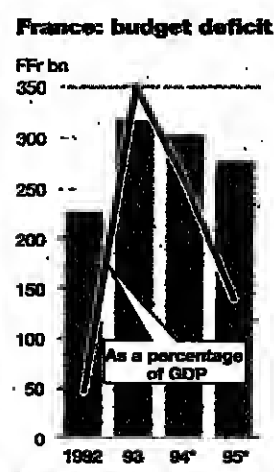
The government plans to reduce the budget deficit from FF301.4bn this year, or 4.1 per cent of gross domestic product, to FF274.5bn next year, or 3.5 per cent of GDP. It is banking on a 4.7 per cent rise in tax revenue, bolstered by raising indirect taxes on petrol and gas and electricity, as while



Sarkozy: "courageous" budget

making companies foot more of their local tax bills, central government spending will rise to no more than the 1.9 per cent anticipated inflation rate next year.

Shaking off months of caution about over-stating the economic recovery, Mr Edmond Alphandery, the economics minister, forecast real growth next year of 3.1 per cent, mid-way in a forecasting range of 2.7-3.5 per cent and commented that the final result might be "closer to 3.5 per cent". He



Source: French Government forecasts

Alphandery also forecast that next year would see the creation of 260,000-300,000 jobs.

Underlining the employment priority, Mr Sarkozy said of the FF15bn in privatisation receipts planned for next year, FF15bn would go to help other state companies. FF27bn would be used to reduce the budget deficit, while FF20bn would help finance job creation measures. Foremost among these would be a further FF17.5bn reduction of welfare charges for lower-paid workers.

Mr Alphandery said that despite the fact many prize assets of the French public sector have already been sold off, he was confident that the government would meet next year's asset sales target just as it had already fulfilled its plan to sell some FF95bn in state assets in 1993-94.

Reflecting the sensitivity inevitably surrounding the last budget before next May's presidential elections, the budget had been heavily leaked beforehand. Mr Sarkozy, therefore, spent much of yesterday's press conference returning the fire of those lobbyists who had attacked his trailers. He roundly dismissed complaints of employers, motorists' associations, and the Socialist party.

US and EU remain split on OECD chief

By Peter Norman, Economics Editor

The process of filling the job of secretary-general of the Organisation for Economic Co-operation and Development began as a routine, mundane affair. But a transatlantic tussle for the top job at the Paris-based OECD is rapidly becoming the cause of new economic policy tensions between European Union countries and the US.

The race between Mr Jean-Claude Paye, a French civil servant who has held the post for 10 years, and Mr Donald Johnston, the former Canadian minister who is his main challenger, has resulted in deadlock.

Although the OECD exists as a forum for international understanding, ambassadors of the 25 member states failed on

Tuesday for the second time in six days to reach consensus on a candidate.

The ambassadors have postponed further consideration until September 28, when they meet informally.

The OECD council, the organisation's decision-making body, is due to consider the succession on September 29, the day before Mr Paye's contract expires.

According to diplomats following the tussle, Mr Paye, who is supported by most EU countries, now has a small overall majority in the 25-member organisation. Mr Johnston, who three months ago was the front-runner, is thought to have fewer than 10 countries supporting him.

Under the OECD system of decisions by consensus, Mr Paye's present backing could

normally be expected to cause a shift of support in his favour by the deadline. But the US, its officials confirmed yesterday, has no intention of budging in its determination to veto a third five-year term for Mr Paye.

Some European diplomats are furious. The US stance, they say, threatens to undermine the whole system of decision-making by consensus in the OECD. They claim that the US has not provided any clear reason for opposing the man who is now supported by a majority of OECD members and stress that there is nothing in the rules of the organisation to prevent Mr Paye seeking a third term.

Supporters of the US, however, say that the Clinton administration made clear over a year ago that Mr Paye would

not be acceptable to Washington and that the Europeans should have produced a more suitable candidate. Officials backing Mr Johnston say that the countries opposing the Canadian contribute only 40 per cent to the OECD's budget.

They also say that France has put very heavy pressure on smaller European countries and the EU states to support Mr Paye.

The US wants Mr Johnston to give the OECD a higher profile and direct the organisation to serve the Group of Seven leading industrial countries which do not have a secretariat of their own.

The deadlock means that the issue will now be taken up in national capitals. It is possible that member governments will now start looking at other compromise candidates for the

post. For this reason, Britain is keeping the name of Lord Lawson in play as a candidate even though the UK ambassador abstained at Tuesday's meeting.

A week ago, Lord Lawson was supported by one solitary British vote.

If the OECD council is deadlocked at the end of this month, one of the OECD's three deputy secretary-generals may be asked to administer the organisation on a temporary basis.

Ambassadors discussed this possibility on Tuesday. It is thought that the choice would be between Mr Robert Cornell, a US citizen, or Mr Pierre Vindé, a Swede, or Mr Matoko Taniguchi, a Japanese, is thought not to be in the running as acting secretary-general.

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NEWS: WORLD TRADE

Jail threat to Indian 'shoddy goods' exporters

By Stefan Wagstyl in New Delhi

Indian exporters were yesterday warned that they face jail if they deliberately shipped shoddy goods or otherwise "created the impression that Indian exporters are not trustworthy".

Mr Tejinder Khanna, the commerce secretary, said the government planned changes in the law covering foreign trade to penalise exporters who wilfully damaged India's commercial reputation. Such businessmen would face losing their import and export licences or going to jail "because they tarnished the Indian flag".

Speaking at a conference of economic journalists, Mr Khanna urged industry to treat foreign trade seriously. He was commenting on recent trade statistics, which showed that export growth in the first four months of the 1994-95 financial year, starting in April, slowed markedly to 8.3 per cent, from 20 per cent for the 1993-94 year.

An important reason for the slow-down has been a revival in domestic demand which has persuaded some companies to divert goods from exports to local markets.

The Commerce Ministry has received reports of companies cancelling or unilaterally amending export contracts in order to supply goods to domestic buyers.

Mr Khanna said long-term export growth required a commitment to export, not a tendency to turn to the domestic market for short-term benefits. A change in approach was needed, he said. "I believe the whole country depends on this change."

Mr Khanna said he was beginning to see change among younger businessmen who were establishing new ventures and planning to export 35-40 per cent of output. But the transformation had to go much further, he said.

Gone were the days of "suitcase exporting", when a businessman would take a few saris and some handicrafts overseas, sell them from his hotel bedroom and then buy a few foreign goods for importing into India, said Mr Khanna. India had to develop the image of a high-technology modern exporting nation.

Mr Khanna also warned executives travelling on trade delegations against mixing business and tourism. He indicated that it was unacceptable for delegations to pull out of meetings or receptions at the last minute, as, he said, had recently happened with an Indian delegation in Kenya.

Reviewing the recent performance of exports, Mr Khanna said that in textiles, the highest contributor to India's exports, sales had suffered from competition from China and from quota restrictions. Compared with an original target of 25 per cent export growth in 1994-95, officials now expected only about 10 per cent.

In engineering goods, including car parts, which saw exports grow 36 per cent last year, the rate of growth is expected to fall to 14 per cent, because of the diversion of goods to the domestic market. Exports of diamonds are also expected to slow because of weakness in the world diamond market.

However, in agriculture, where the government has recently lifted important export controls, Mr Khanna expected rapid growth of about 20 per cent. "This sector holds the key and may bail us out," he said.

Start is made on the long road to rebuild Beirut

The first contracts will soon be awarded to transform the shattered city, writes Mark Nicholson

Mr Elias Hrawi, Lebanon's president, yesterday cemented in place a symbolic foundation stone to mark the formal start to the reconstruction of Beirut, a 25-year, multi-billion-dollar project which bills itself as "the major urban redevelopment project of the 1990s".

Mr Hrawi laid the stone near the foot of the bullet-ridden statue of the Lebanese martyrs in Place des Martyrs, where Lebanon's civil war began almost two decades ago.

But as the recent transformation of that square amply demonstrates - more than 150 adjacent buildings have been razed in the last two months - the work of rebuilding Beirut's core has, in fact, begun. According to Mr Nasser Chammas, chairman and general manager of Solidere, the property company which owns and is to develop central Beirut, the first big contract in the redevelopment will be awarded within weeks.

Mr Chammas said the initial pack-

age was likely to be awarded to a joint venture between the local Moawad Group and Consorzio Co-operative Construction, the Italian construction company, which submitted the lowest of 13 bids for the first stage of the infrastructure work on the 1.8m square metres of central Beirut to be developed by Solidere.

This first \$63.7m contract will cover construction of ring roads around the central district, tunnels, bridges, internal roads, water and waste systems and all power and telecommunications infrastructure. Mr Chammas said the eventual cost of the work, to be completed in two and a half years, could rise to \$80m.

He said demolition work in the centre was six months ahead of schedule and should be completed by February. A further 150 buildings are to be demolished and renovation work on 250 others will begin next month. He said eight contracts for restoration and some rebuilding worth more than \$100m in total had already been let. "You'll see build-

ings start rising in about six months, and these should be finished in the next 2½ years," he said.

Mr Chammas expects a total of \$55m further to be spent on infrastructure within the Beirut central district, but an additional \$350m on reclaiming a total of 600,000 square metres of landfill to extend the present corniche north of the city centre. This work, which will require at least 10 years for some of the organic waste presently making up the landfill already in place to settle, will open up land both for 250,000 square metres of development plots for Solidere and a recreational and marina complex. Bid qualification for the initial contract to provide sea protection is in progress, and the award will be made in the next two months.

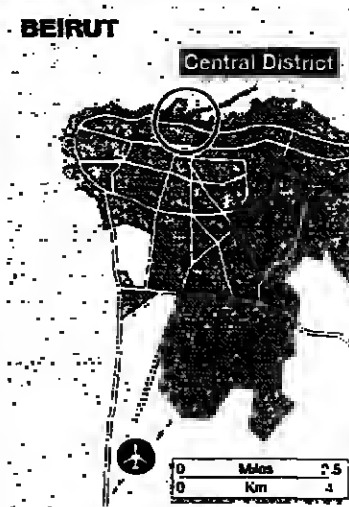
The Lebanese government recently agreed to extend the landfill by 150,000 square metres to the present total as a means of reimbursing Solidere in kind for the cost of infrastructure work it is undertaking in

the city centre. Solidere's working capital was raised in a \$1.8m share issue to establish the company earlier this year.

Meanwhile CDR, the main contracting agent responsible for redeveloping the rest of Lebanon, said more than 400 contracts were under way for power, housing, telecommunications, transport infrastructure, schools, water and waste systems, and claimed to be on course to bring total investment to more than \$4.5bn in the next three years.

According to Mr Boutros Labaki, CDR's vice-president, just under \$2bn of this sum has already been pledged by international donors, chiefly Gulf Arab countries and the World Bank. The remainder is to come from public funds and financing packages arranged by contractors.

Three of the biggest projects, a \$400m airport redevelopment, more than \$600m worth of work restoring and expanding existing telephone links and creating a GSM cell mobile



telephone system along with a \$180m project to build a new sports city have already been awarded - all to European countries. US groups

remain handicapped by a state department ban on Americans visiting Lebanon.

The next big project will be for the construction of two 450MW power stations in north and south Lebanon, which together will provide 40 per cent of the country's expected power needs.

Mr Labaki said seven groups, including GEC Alsthom, ARB Asea Brown Boveri, the Italian group Ansaldo and a partnership of John Brown Engineering of the UK and General Electric Company of the US, have entered bids for a contract likely to top \$700m in total.

The awards should be made later this autumn, with the first units expected to come on stream within a year and a half. Later will come the construction of a toll highway between Beirut and Damascus, a \$600m build-operate-transfer project for which bids will be invited next month. A further \$450m project to revive Lebanon's coastal railway line has been put on hold.

Congress nearer to ratifying Uruguay Round

By Nancy Dunne in Washington

The US Congress moved closer to passing legislation implementing the Uruguay Round yesterday when the Clinton administration and congressional negotiators agreed on most of the outstanding issues.

The administration has pushed hard for passage of the legislation making US trade laws and regulations compatible with the 120-nation Marrakesh accord signed last March. The EU, Japan and other main trading nations have yet to ratify the agreement but the administration has argued that the US must pass the legislation this year to maintain its leadership on trade.

Under the fast-track procedure agreed by Congress, the legislation now goes to the White House, which will tackle the few issues before sending it back to Congress, presum-

ably next week, for a Yes or No vote by the end of the term.

The legislation has been written jointly by US trade officials and by members of the Senate finance and House ways and means committees. To win passage, the administration has been forced to agree to provisions not envisaged by US trading partners, such as anti-dumping procedures which would make the imposition of high dumping duties more likely.

Business lobbyists believe they have garnered enough votes for passage, but the vote will be close in the Senate where 60 of 100 senators must approve the bill.

Lobbyists have been alarmed by the "capricious" antics of Senator Daniel Patrick Moynihan, chairman of the Senate finance committee, who last Sunday warned that the deal would not pass if



Packwood: waiver of rules

US troops invaded Haiti.

Senator Bob Packwood, a leading Republican on trade matters, said at least 30 of the 100 senators would vote against the round and others might fall on the No side because passage would require a waiver of budget rules. Others might vote against it unless the administration adds a restrictive rule of origin provision to satisfy textile and apparel manufacturers.

Joint venture to operate Soviet-built facility

Mexican investors to help restart Cuban refinery

By Pascal Fletcher in Havana

A group of Mexican state and private investors has formed a joint venture with Cuba that will spend \$200m to restart and operate a Cuban oil refinery built by the former Soviet Union. Since the 1990 collapse of Cuba's trade and aid ties with the former Soviet bloc, the Cuban government had been seeking a foreign partner to help run the refinery at the south-central port of Cienfuegos.

The installation, completed at the end of the last decade, was practically unused and is currently idle.

Announcing the deal in Havana yesterday, Mexico's secretary for foreign relations (foreign minister), Mr Manuel Tello, said the Mexpetrol group would have a 49 per cent stake in the refinery joint venture. The group is formed by state institutions Petroleos Mexicanos (Pemex), Banco Nacional

de Comercio Exterior (Bancomex), and Mexico's Instituto de Petroleo, and by four private companies, Ingenieros Civiles Asociados, Bufete Industrial, Protexa and Empresa de Transportaciones Maritimas Mexicanas. Cuba's state oil company, Cubapetroleo, will control 51 per cent of the venture.

Mr Tello said the latest investment by Mexican entrepreneurs in Cuba completed the liquidation of Cuba's remaining \$340m debt with Mexico.

Cuba, seeking foreign capital to revitalise its recession-hit economy, has already opened up offshore and onshore exploration blocks to oil companies from Canada, France and Britain.

Once operating fully again, the Cienfuegos refinery, which has a capacity of 75,000 barrels a day, will refine crude oil from both Mexico and other countries. The resulting oil

products could be sold in Cuba, Mexico or to third-party buyers on a commercial basis, Mr Tello said. Besides earning hard currency, the refining deal is also expected to help Cuba alleviate the chronic shortages of oil and oil products since oil supplies from the former Soviet Union fell precipitously.

Mr Tello said Mexican investments in Cuba to date totalled more than \$1bn and included joint ventures in tourism, textiles and cement. Another joint production agreement in glass manufacture will be finalised in two or three weeks, Mr Tello said.

Pakistan to buy French submarines

The Pakistani government yesterday announced it would purchase three Agosta class 900 submarines from France in a deal worth \$950m, writes Farhan Bokhari in Islamabad.

The deal is one of Pakistan's largest defence purchases. The selection of French submarines was made after close evaluation of offers from Britain, France, China and Sweden. The government gave no details on the financing of the deal but said, the credit terms were favourable and repayments long-term. Delivery will be in the next four years and three submarines will be built in Karachi within a technology transfer agreement.

Japan wants EU to raise car quota

Japan will seek a bigger quota for car and light commercial vehicle exports to the European Union because of higher than expected demand in Europe, writes Kevin Done, Motor Industry Correspondent.

Talks between officials of the European Commission and the Japanese Ministry of International Trade and Industry are to be held in Brussels on September 29 and 30 to review demand forecasts for 1994, according to Mitl. In March, Tokyo and Brussels set a guideline allowing Japanese vehicle exports to the EU to rise by 0.4 per cent to 984,000 in the whole of 1994.

The agreement was based on a forecast that overall EU demand for cars and light commercial vehicles would grow by two per cent to 11.97m. In the first eight months of the year new car sales in the EU rose by an estimated 5.9 per cent to 7.911m according to recent figures from Aeca, the European Automobile Manufacturers Association.

Whirlpool, the US white goods group, is investing \$100m (\$191m) in its German operations after year-long talks with employees and trade unions which will lead to improved productivity and competitiveness at its German plants, writes Andrew Baxter. The investment underlines the US company's commitment to manufacturing in Germany following appreciation of the D-Mark against other European currencies. Production of a range of built-in freezers is to be concentrated at Calw in Germany.

Ericsson Telefon of Sweden yesterday said it has signed an agreement to extend the telecommunications network in China's Liaoning Province with deliveries valued at \$K1.5bn (\$203m) over the next two years.

Hyundai's car sale hopes fuel Europe's fears

S Korean company's expansion plans raise prospects of trade friction, writes John Griffiths

Hyundai hopes to join the world's top 10 vehicle makers by the turn of the century.

South Korea's biggest vehicle maker is to invest heavily in producing cars for virtually every sector of the market, including minicars, sports coupés and multi-purpose vehicles.

Its plans include greater penetration of the European market, thus raising the prospect of trade conflict. European car makers are already alarmed by the Korean industry's expansionism and angered by restricted access to Korea's markets.

Late last year Hyundai, which has interests ranging from shipbuilding to electronics and a turnover of more than \$60bn, announced that it planned to more than double its 1993 vehicle output of 900,000 units to 2m by the year 2000. Well on course to produce 1.16m this year, Hyundai intends to be producing a further 300,000 vehicles outside Korea by the end of the decade.

Hyundai executives say this would give Hyundai 2 per cent of the global market. Added to the expansion plans of Daewoo, Kia and Ssangyong, Korea's other car makers, this would give Korea a capacity of 4m cars a year, which would take the country from sixth to fourth place behind the US, Japan and Germany.

Korean accent: Hyundai's export plan



None of these forecasts take into account the declared intention of Samsung, Hyundai's industrial rival, to invest \$5bn in starting up car production and which has already produced its first prototype.

Thus they considerably understate the capacity Korea is likely to have by the end of the decade, according to Mr Giorgio Garuzzo, chief executive of Fiat and president of the European Automobile Manufacturers' Association (ACEA).

Mr Garuzzo, in Seoul recently to urge the Korean government and industry to take further steps to open Korea's vehicle markets, maintains that between now and 2000 Korea will spend nearly

\$10bn on creating capacity of more than 5.3m vehicles a year.

Last year imports accounted for only 0.19 per cent of Korea's car market. Only 307 cars came from Europe. Although in the past few months Korea has introduced a number of market liberalisation measures, Europe's industry says they are not enough.

Velled warnings are already being issued about Europe being able and willing to work within the parameters of the new World Trade Organisation (WTO) to protect the European vehicle industry from unfair competition. "Anti-dumping, anti-subsidy and safeguard action will

become more reliable tools for legitimate self-defence within an open trading system," Mr Garuzzo warned Korean industry leaders.

Hyundai, helped by the Accent, a new small car soon to go on sale in Europe, plans to nearly double its European sales from less than 100,000 last year to 180,000 by the end of the decade.

Hyundai executives expect the Accent, in which the company has invested \$438m and which is Hyundai's first car to be developed without the aid of Mitsubishi of Japan, to achieve 25,900 European sales this year, rising to 62,000 in 1996. On sale in Korea since April, the Accent replaces the similarly-sized Excel model.

Hyundai hopes that a replacement for the Elantra medium saloon and a new coupe to be launched in the next year or so will increase its export appeal. It will follow with a minicar and multi-purpose vehicle.

They will be assisted by an increase in research and development spending scheduled to rise from the current 4 per cent of sales to 7 per cent by the end of the decade.

Hyundai projects exports from 350,000 cars and commercial vehicles last year to 972,000 by the end of the decade. It maintains that most of this growth will be in developing markets elsewhere in Asia.

According to Mr J.H. Kim, Hyundai's general manager for vehicle exports, sales to regions outside Europe and North America will almost quadruple from 150,000 this year to 582,000 by the end of the decade.

Hyundai's president, Mr Chon Sung Won, and senior colleagues insist that projected sales growth in Europe should not be so high as to be a source of trade friction.

However, aggressive export expansion is also planned by Daewoo, Kia and Ssangyong. Daewoo has also said it wants to be a world "top ten" manufacturer by early next century and its Cielo and Aspera mod-

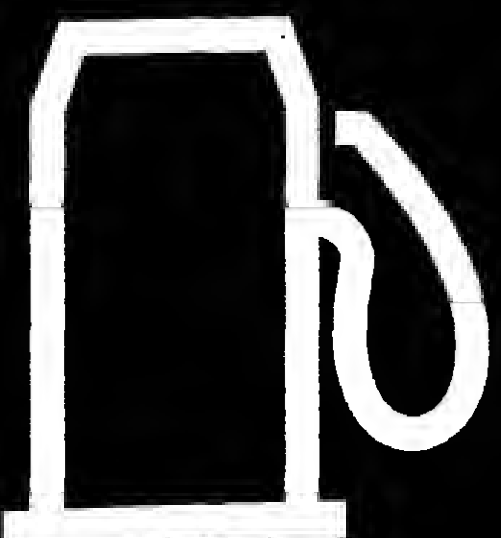
els - based on General Motors' Astra and Cavalier - will go on sale in Europe early next year.

Kia, already selling in Europe, will also soon be expanding its model ranges. And both it and Daewoo are having research and development work done in Europe to tailor vehicles more closely to European tastes. Also early next year Ssangyong's four-wheel-drive vehicles will make their European debut.

Thus, while Hyundai insists it is more concerned to establish a production presence in China and other fast-growing Asian markets (it already has assembly operations for kits in Thailand), it is already preparing to avoid trade confrontations by following Japan's Nissan, Toyota and Honda in setting up production capacity in Europe. Daewoo has already set out modest plans for assembly in eastern Europe, while Kia's four-wheel-drive vehicles from next year will be produced for European markets by Karmann of Germany.

Hyundai has begun looking into where its European base might be located - but says it will be the end of the decade, at least, before one might be needed.

As a stepping stone, however, it is in the final stages of a feasibility study to set up a European research and development centre.



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NEWS: INTERNATIONAL

South Africa opts for state assets sale

By Mark Suzman
in Johannesburg

The South African government yesterday formally reversed its long-standing opposition to privatisation and said proceeds from the sale of state assets, as well as a soon-to-be introduced national lottery, would be used to fund its centrepiece reconstruction and development programme (RDP).

In presenting its White Paper on the RDP to parliament, the government said it "recognises that the location and composition of state assets may not be optimal, and has begun an audit to dispose of those assets not relevant to the RDP".

The document also notes that it will use revenue generated from "lotteries and gambling", expected soon to be legalised, as well as all directly received international and domestic grant aid, to help fund development projects. According to the document, this revenue will be added to funds raised from budgetary reallocations and the government will not seek to raise money for the RDP through extra borrowing. The government spending portion of the programme is budgeted at R37.5bn over five years.

Although neither move was unexpected, together with other recent policy statements by the government on reducing the government deficit and lowering trade barriers, they confirm the African National Congress-led administration's formal adoption of a broadly free-market approach to economic policy.

A long-standing tribal rival to Chief Mangosuthu Buthelezi yesterday declared himself Zulu King Goodwill Zwelithini's traditional prime minister, a position formerly claimed by the Chief, Mark Suzman writes.

Prince Mawazwezi Zulu, a member of the royal family and the former regent of the Zulu kingdom, announced he was assuming the duties of the honorary post with immediate effect. The announcement will deepen the rift between the two most important Zulu politicians in the country. On Tuesday King Goodwill broke relations with the Chief.

When the RDP was originally drawn up by the ANC before the April elections, it emphasised the importance of a highly interventionist state to redress the imbalances of apartheid, and left open the possibility of nationalisation of major enterprises.

In successive drafts, however, the statist policies have been whittled down and, while the wording on some issues remains ambiguous, the central thrust of the government's commitment to private-sector led growth is clear.

Speaking at a press conference, Mr Jay Naidoo, the minister without portfolio who has responsibility for the RDP, said it was important that most of the initiatives for the programme came from outside government.

"We don't have the resources in our country to do everything overnight," he said. "We

are not giving handouts, we are reallocating resources."

Testifying to this point, the White Paper emphasises that it regards the reduction of government spending as essential to economic growth, and makes a commitment to start cutting the size of the Public Service from next year while improving its efficiency.

"There has been a struggle between market-oriented government economists and more interventionist ANC ones and, although there have been some steps thrown to the latter, the former appear to have triumphed," noted one policy analyst.

Nevertheless, the document strongly reaffirms the government's commitment to workers' rights and the principle of labour involvement in strategic decisions, calling for "greater worker participation and decision-making in the workplace" and explicitly endorsing the use of collective bargaining to negotiate affirmative action policies.

It also notes that the government intends to introduce strict anti-trust legislation to try to create "a more competitive and dynamic business environment".

"The central objectives of such legislation are to discourage systematically the system of pyramids where it leads to over-concentration of economic power and interlocking directorships, to abolish numerous anti-competitive practices such as market domination and abuse, and to prevent the exploitation of consumers," it says.

Major impresses all round the wicket

By Kevin Brown

Mr John Major, the British prime minister, has been batting on a sticky wicket for much of the four years since he succeeded Baroness Thatcher. But on a dusty matting strip in South Africa yesterday the luck of the British prime minister - pictured right - finally turned. UK officials, mindful of his fragile image, watched anxiously as he accepted a challenge from township leaders in Alexandra, outside Johannesburg, to open a cricket net by batting against local bowling.

Their worries were misplaced. Mr Major, who had earlier described himself as a "sports nut", turned out to be a spin doctor's dream. Taking guard like a professional, Mr Major put up a creditable show against 14-year-old Elito Matsiso, whose penetrating medium pace drew only one false shot.

Surrey and England batsman Alex Stewart, one of several British sports stars brought to Alexandra to coach youngsters, advised Elito: "Give him a googly."

Handing over the bat to Mr Steve Tshwete, South Africa's sports minister, Mr Major then strode to the bowling end and with his first ball knocked over middle and leg stumps. "I think I'll stop there," he told onlookers.



Thaw sets in with Pakistan

US visit heralds a happier phase

The arrival in Pakistan of Ms Hazel O'Leary, the US energy secretary, at the head of a business delegation, is being regarded by both countries as adding further warmth to a recent thaw in relations.

For Pakistan, a country that was on the verge of being declared a terrorist state by Washington less than two years ago, the visit presents an opportunity to leave behind the crisis in its relations with the US, triggered by the US aid cut-off in 1990.

Although the aid suspension continues because of US objections to Pakistan's nuclear programme, both sides are trying to broaden their contacts.

Earlier this month, the Clinton administration announced a \$10m grant for Pakistan's social welfare programmes. Officials from both sides are also examining prospects for US soyabean oil sales of up to \$20m. The president of the US Eximbank is expected to visit Pakistan before the end of the year to consider other investment proposals by US investors.

By Farhan Bokhari in Islamabad

The amounts involved are small compared to the more than \$7bn committed by the US to Pakistan in military and economic assistance at the height of the cold war in the 1980s. But Pakistani officials consider that these developments take the two countries into a new era, ending the sense of conflict.

"It's always foolish to say a tough item does not exist," said Mr John Monjo, the US ambassador to Pakistan, who conceded that the nuclear issue has presented difficulties for the two countries.

"The fact that now the two sides are engaged in looking for ways in which we can have a meaningful relationship in the post-cold war period, shows that we are out of the crisis mould," said Ms Maleeha Lodhi, Pakistan's ambassador to the US.

Western diplomats and Pakistani officials, examining recent trends in relations said at least three factors have induced a thaw.

First, Islamabad's secret nuclear programme has not progressed at a pace which could cause any distress. In spite of a recent claim by Mr Nawaz Sharif, the opposition leader, that Pakistan had produced nuclear weapons.

"The fact that Pakistan still has a nuclear programme which is not open to international inspection raises immense fears," said one senior diplomat. "But... there is very little conclusive evidence that there is a need to ring the alarm bells over a step-up in its pace."

Secondly, fears of Islamic fundamentalism spreading across the country have been put to rest after the Islamic parties received poor support in last October's elections.

Finally, the aid suspension has been partly unsuccessful because Pakistan refused to ratify the non-proliferation treaty or accept any other international safeguards on its nuclear facilities, unless India would accept the same.

Officials from both sides hope that US investments in Pakistan will help to strengthen diplomatic relations. Over the past 46 years, US businesses have invested \$450m in Pakistan. Mr Monjo says Pakistan's recent economic reforms as well as this year's liberal energy policy, have together set the stage for attracting foreign investors.

Action against two BCCI directors is dropped

By Andrew Jack

Two of five Abu Dhabi directors of the collapsed Bank of Credit and Commerce International have had litigation against them in the French courts dropped in exchange for a payment of FF12m (\$1.4m).

Mr Chantim Faris Al Mazrui, head of the private department of the ruler of Abu Dhabi, and Sheikh Khalifa Nasr Al Mansoori, a director of BCCI's

French subsidiary, made the offer earlier this year to the Commercial Court of Paris.

The deal, which has been accepted by the courts but is subject to appeal, still leaves charges outstanding against three other BCCI directors who face a renewed hearing at the end of this month.

Lawyers had originally made the offer in exchange for the release of all five directors from the action which

had been brought by the French liquidators to BCCI, but reversed their position after the other three started legal action against Abu Dhabi.

Mr Alfred Hartmann, Mr Yves Lamarche and Mr Johan Van Oenen sued Abu Dhabi, BCCI's majority shareholder, at the end of June in what they said was an attempt to restore the damage which had been done to their reputations by the

bank's collapse.

After BCCI was closed by banking regulators in July 1991, lawyers were appointed to advise the board members of the different companies within the group.

The three directors have been sued by the bank's liquidators in Luxembourg and this action continues alongside the litigation in France.

Simmons & Simmons, the law firm which acts for the government of Abu

Dhabi, confirmed last week that Abu Dhabi had paid the legal bills until the time of the directors' action against it.

The three non-Abu Dhabi directors switched in advance of their action to a US law firm.

The correspondent firm in the UK, Warner Cranston, launched legal action earlier this month in an attempt to gain access to papers it claims relate to its clients.

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Tokyo GDP down 0.4% in quarter

By Gerard Baker in Tokyo

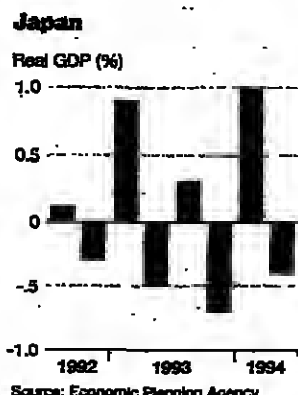
The weakness of Japan's economic recovery was underlined yesterday by figures showing a drop in gross domestic product in the second quarter. GDP contracted by 0.4 per cent in the April-to-June period compared with the previous quarter, according to a preliminary estimate by the government's Economic Planning Agency (EPA).

But the figures have become erratic, producing seven consecutive alternate increases and declines. The more reliable six-month trend shows that the economy grew by 0.4 per cent between the second half of 1993 and the first half of 1994.

Even this figure was well below expectation. Mr Tsutomu Tanaka, the vice minister of the agency, said the quarterly setback "reflected the period's economic conditions, which were broadly sluggish with some bright spots".

The Bank of Japan said the figure would not lead the bank to change its judgment that the economy was still "headed for recovery".

The data showed the economy retreated on all fronts in the second quarter. Private consumption, regarded as central to recovery, fell by 0.7 per cent. In the first six months of the year it was 1.4 per cent higher than in the previous six months, a figure that still suggests only gentle growth. Capital expenditure fell by 2.5 per cent in the quarter, as companies continued to deal with over-accumulation of capital in the late 1990s. But the largest contribution



to the fall in output came from the external account. Exports rose by 1.4 per cent in the quarter, and imports by 3.8 per cent. Net exports fell by an unprecedented 86.5 per cent on the year, suggesting the sharp rise in the yen may have started to reduce the trade surplus in the second quarter.

Most economists argued that growth was likely to have resumed in the current quarter, as a result of the boost to consumption from the warm summer and an increase in exports.

Mr Dick Beeson, chief economist at James Capel Pacific in Tokyo, said: "The figures are discouraging. But improvements in the third and fourth quarters should help to keep GDP growth for the year at around 0.5 per cent."

Mr Richard Werner, chief economist at Jardine Fleming, warned of another year of disappointing growth. "The recovery is still very weak and shows only faint signs of improving in the immediate future," he said.

Ruling coalition agrees new taxes

By Gerard Baker

Leaders of Japan's three ruling coalition parties were said yesterday to have agreed on the content of a package of tax measures, but not on its form.

Mr Masayoshi Takemura, the Japanese finance minister, and leader of the New Harbinger party, the smallest coalition member, said the Social Democratic party (SDP) had agreed in principle to an increase in the consumption tax to 5 per cent from 3 per cent, to take effect from 1997. The parties also agreed on immediate income tax cuts worth around ¥5,500bn (¥36bn) a year for the next three years.

The decision to accept an increase in the consumption tax represents a policy retreat by the socialists, who had vehemently opposed any increase in indirect taxation to pay for the income tax cuts.

However, the final sticking-point for the party appears to be the timing of the changes.

The Liberal Democratic party and New Harbinger party want to introduce both measures as part of a single package.

However, many SDP members are anxious to separate the two proposals in the thinly disguised hope that parliament may reject or delay the consumption tax increase.

Official prices return to China's markets

Beijing's leadership, panicked by inflation, has brought back price controls, writes Tony Walker

Market stallholders across China have begun to display signs showing officially sanctioned prices. So it is that price controls on foodstuffs, including grain, meat, fruit and vegetables, have been re-introduced by a panicky leadership which has made fighting inflation its priority.

While market vendors might grumble about the restrictions there is not much they can do about them since under the new anti-inflation drive food prices are being monitored rigorously, especially in urban areas.

At the Yongan district food market in Beijing's eastern suburbs, bargaining is out for the moment. Complaints about high prices, the normal pantomime of shopping in China, are met with a shrug and nod towards a board on which are displayed food prices per jin (about 500gm).

The clamp on food prices is the most visible sign of the new anti-inflation campaign, though China's leaders must realise that these measures risk creating shortages which would run counter to one of their chief aims - to ensure abundant supplies in the market.

For the moment, however, it is clear that Beijing is launching a fairly determined campaign against price rises in the hope that it can break the inflation cycle, and perhaps, more important, dampen inflationary expectations.

The leadership has not admitted it outright, but a 16-point economic stabilisation programme unveiled in July 1993 to bring the economy under control by so-called "macro-economic" measures, including credit restrictions, is



To market, to market: Beijing's fear of inflation has put bargaining out of bounds for the time being

being superseded.

The "fight-inflation-first" campaign announced by prime minister Li Peng last month may well mark the first stage of a new stabilisation programme. This will place much heavier emphasis on government interference than last year's measures which relied more on indirect restraint through curbs on monetary growth, and restrictions on lending to ailing state enterprises.

Chinese officials will have expected much better results from their efforts of the past year or so to maintain high levels of economic growth while bringing inflation under control. That policy has, at best, fallen well short of expectations and, at worst, failed.

Publication of a rash of bad economic news in the past month or so has forced policymakers into an extensive review of options, none of which is proving politically palatable. The bad inflation figures for July and August, indications that monetary growth is defying efforts to restrain it, and evidence of a new consumer spending binge will have provided a fairly brutal reminder of the continuing difficulties of managing China's economic transformation.

"I think it's probably a shock to them that things have gone back to where they are now," said a western economist. He predicted that the next 12 months would prove especially difficult, given the high underlying rate of inflation, continuing

heavy demand for subsidies from faltering state enterprises and restlessness among a peasantry whose meagre incomes are being squeezed by higher costs of such items as fertilisers.

But it is the inflation bogey that has really unnerved the leadership. Indications that rather than slowing the rate of price increases had begun to accelerate raised the alarming spectre of inflation spiralling out of control, fuelled partly by inflationary expectations.

Consumer prices in the China's 36 major cities rose by 27.1 per cent in August compared with the same month last year. This was well up on the July figure of 24.2 per cent which itself represented a sharp increase on the previous

month. National inflation statistics were hardly more encouraging. The CPI country-wide was up 25.8 per cent in the 12 months to August.

While money supply figures for the first seven months of this year are not available, anecdotal evidence indicates that the broader M2 measure of monetary growth exceeded the 24 per cent target. Western economists believe the figure could be closer to 34 per cent.

The government's inability to meet its monetary targets has been one of the main causes of continuing inflationary pressures. Demands for sustenance from state enterprises, many of which are virtually bankrupt, are complicating the government's task. Policymakers are walking a

tightrope between the need to curb inflation and fears of social unrest caused by the inability of state-owned factories to pay their workers.

Worries about unrest has prompted a "stop-go" approach to monetary policy in the past year or so with the authorities alternately tightening and loosening credit in three-month cycles. An easing of credit restriction since April is seen as one of the main causes of the latest inflationary surge with capital spending by state-owned companies leaping by 73 per cent in July compared with the same month last year.

Officials, who had boasted a year ago that 90 per cent of consumer prices had been de-regulated, are sensitive to suggestions that the re-imposition of price controls represents a step-back from economic liberalisation.

Hard-pressed Chinese officials seeking better news can point to falling producer prices - prices of steel and other raw materials are down sharply - and to an improving external sector. Exports have grown by more than 30 per cent this year, foreign exchange reserves have rebounded and in light of this current account forecasts are being revised.

But in the end the government's success in this latest phase will rest on its ability to check inflation while maintaining high levels of economic growth. The authorities are striving to bring growth down to manageable levels from the unsustainable 13 per cent of the past two years, but at the same time avoid a too rapid deceleration. This is a task that would be considered daunting by those managing even the most sophisticated economies.

NZ jobless may fall to 6.4%

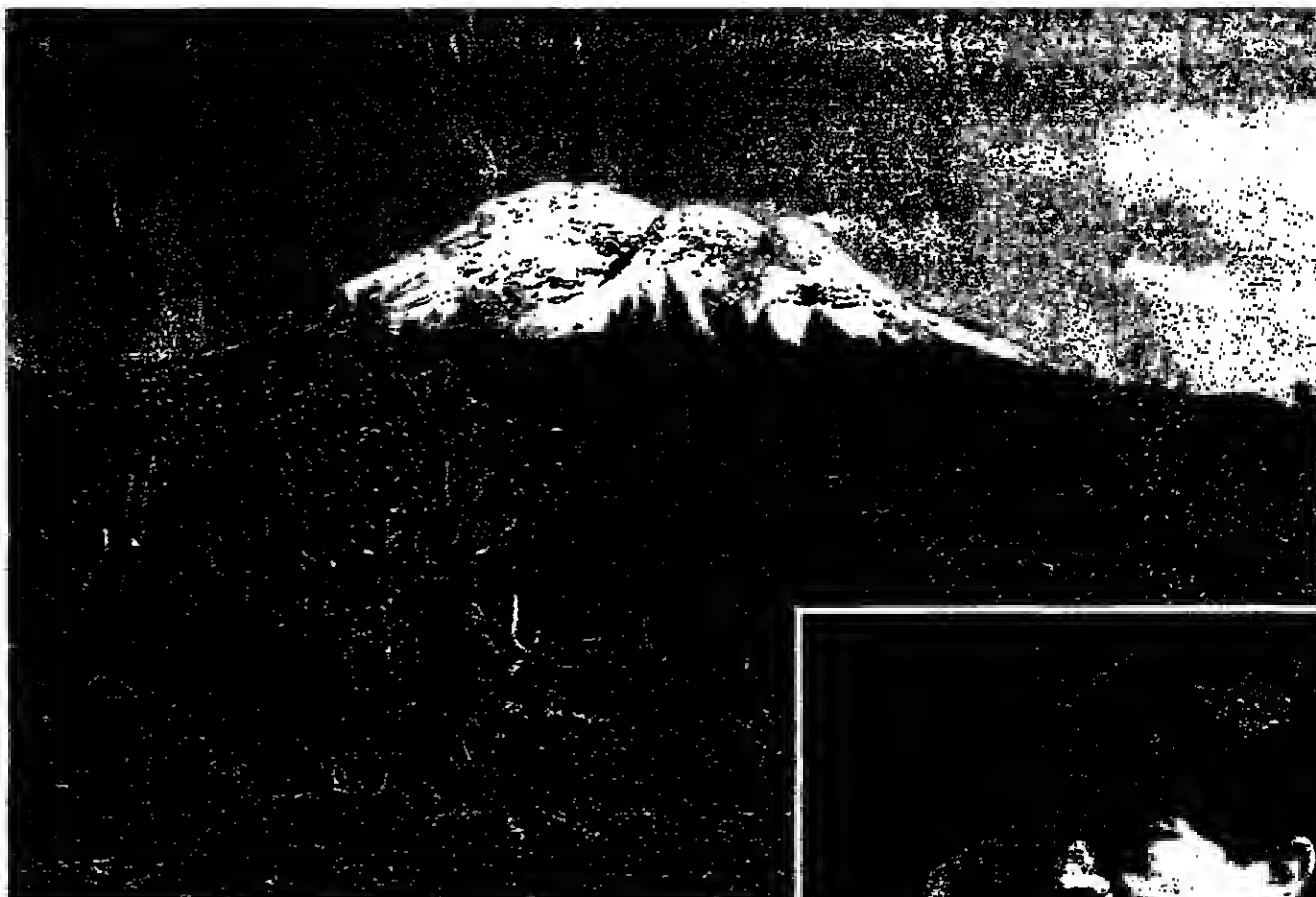
Unemployment will fall to 6.4 per cent by the end of 1995 from the current rate of 8.4 per cent according to a New Zealand research group, AP-DJ reports from Wellington.

The projection by Business & Economic Research is more optimistic than the most recent economic forecasts issued by New Zealand's central bank in September.

The Reserve Bank expects unemployment to decline to just 7.6 per cent by March 1994.

The research group also expects gross domestic product to grow 3.6 per cent for the 12 months ending March 1994, greater than the 3.1 per cent predicted by the country's central bank.

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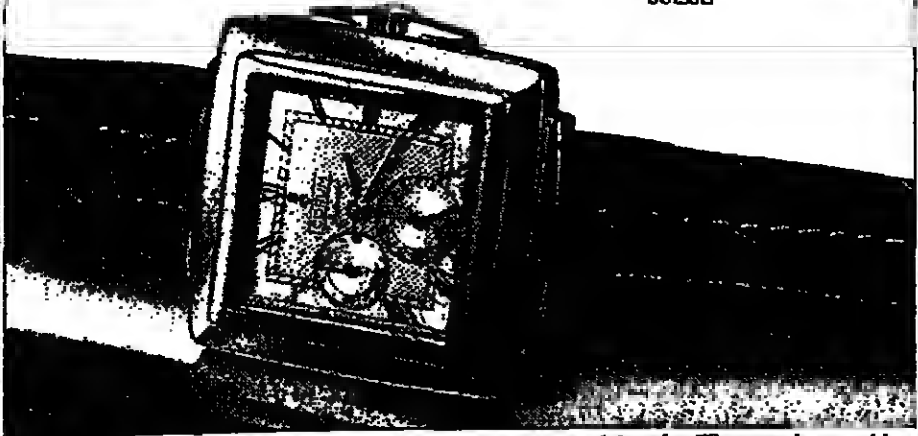
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NEWS: THE AMERICAS

Parliament may prove to be stumbling block for Aristide

By James Harding
in Port-au-Prince

Police brutality on the streets of Port-au-Prince over the last two days has shown the truth of the Haitian proverb, "Men-nen koulev lekòl pa anyen. Se fe'l chita ki red" - It's nothing to lead the snake to school, making it sit down is the hard part.

Training the Haitian militia to replace political violence with civilised law enforcement has become a priority for Operation Restore Democracy. But the police have not been the only unruly characters who could spoil a peaceful transition. Haiti's parliament, which has historically evaded votes to restore exiled President Jean-Bertrand Aristide, may yet prove a significant obstacle to the installation of a functioning democracy.

"The parliament and President Aristide, at loggerheads for the seven months of the president's term in Haiti and hostile to him in exile, will have to find a new modus vivendi. The first hurdle however,

will be the passing of a law granting amnesty to the existing military regime.

Under the deal struck between former US President Jimmy Carter and provisional President Emile Jonassaint last Sunday, "certain military officers" are expected to enter "an early and honourable retirement when a general amnesty is voted into law by the Haitian parliament, or October 15 1994, whichever is earlier."

Although the deadline provides the US with a necessary get-out if the parliament proves contrary, failure to enact an amnesty would cast a pall over the future co-existence of an Aristide government and his former military ousters. Most people agree there is little to be gained from disrupting the progress of the US-Haiti programme to replace the military leaders with Mr Aristide, but the assembly has been unpredictable in the past.

The 1992 Washington Protocol was scuppered by the parliament, which had complained that the agreement brokered

by the Organisation of American States to restore Mr Aristide was unconstitutional. Thanks to a disruption by parliamentarians allied to the coup leaders, the assembly never managed to achieve a quorum. The Governor's Island accord last year intended to achieve similar goals met with a similar fate.

According to one political observer in the Haitian capital, if Lt Gen Raoul Cédras can find a purpose in holding up the restoration of Mr Aristide, the pattern of breached agreements made possible by an obstreperous parliament may repeat itself: Gen Cédras may call on parliamentary appointees and allies to block the amnesty vote.

Mr Benard Sansaricq, president of the Senate, however, did not foresee any problems with getting the law through the assembly. Future relations with President Aristide, though, were another matter.

He predicted the legislative process could be over in four days next week. After passing the bill, the Upper House will

send it to the Chamber of Deputies, where it will be ratified unless the deputies see any need for modification, in which case it returns to the Senate.

To avoid a time-consuming to and fro, Mr Sansaricq said yesterday he planned to convene a bicameral commission to draw up the bill. He had no doubt the Senate would pass the legislation, but would not speculate on the lower house, which is thought to be divided and susceptible to persuasion from the de facto executive.

The amnesty law, however, is only one step on the difficult road of reconciliation which Mr Aristide has advocated in Washington. Whether or not it is passed, Mr Sansaricq plans to obstruct an Aristide government.

"I do not support the return of Aristide - but it was a fait accompli. I will work in opposition as an elected member of this parliament," he said.

Gridlock, a snake US administrations know all too well, may be one of the things restored along with democracy and President Aristide.

Clinton loses Congress ally in primary

By George Graham

President Bill Clinton yesterday lost one of his few reliable allies in Congress in a stunning primary defeat for Congressman Mike Synar of Oklahoma.

Although Mr Synar had won 47 per cent of the vote in a first Democratic primary ballot four weeks ago, he barely improved his score to 49 per cent in losing to a 71-year-old retired school teacher in a run-off election on Tuesday.

Mr Virgil Cooper had spent just \$9,053 (\$5,840) on his campaign by the end of August, compared with Mr Synar's campaign spending of \$227,543 so far this year. His campaign spokesman said the former head teacher "did nothing but drive his pick-up around and put business cards in people's windows".

He will now face Mr Tom Coburn, a Republican doctor from Muskogee, in the November 8 general election.

Mr Synar is the most prominent incumbent to lose a bid for re-election so far this year.

His defeat sounds a warning not only for members who have been close to Mr Clinton but also for relatively left-wing members in the conservative south. Besides backing Mr Clinton on issues such as raising taxes on tobacco and raising grazing fees on government land, Mr Synar has a voting record which is, according to the Almanac of American Politics, "by far the most liberal of any white member from the South, more liberal than most Democrats from the North".

Perhaps his most fatal political stance is his support for gun control, widely unpopular in Oklahoma. But Mr Synar is not the only prominent incumbent to receive a setback in Tuesday's primary voting.

Mr Thomas Foley, the Speaker of the House of Representatives, won only 38 per cent of the vote in his district in Washington state, a weak showing that could hint at a very tough campaign for November's general election.

Under Washington state's peculiar election rules, all candidates run in the same primary, and the best-placed from each party advances to the general election. Since no other Democrat was running, Mr Foley won his party's nomination, but his score represents a sharp fall in popularity from 1992, when he won 53 per cent in the primary.

Even then, Mr Foley's 55 per cent in the subsequent general election was the lowest vote recorded for a sitting House Speaker in over a century, and Republicans are licking their lips at the chance of claiming such an illustrious scalp.

Congressman Bill McCollum of Florida, one of two members contending to be the Republican whip next year when Congressman Newt Gingrich becomes the party's leader in the House, spent \$30,000 on television advertisements in the district in an effort to embarrass the Speaker.

Republican leaders say they are expecting to win 20-30 seats from the Democrats on November 8. They would need to win 40 to take control of the 435-member House, but even a smaller gain would put them in a strong position to control the congressional agenda in alliance with right-wing nominal Democrats from the South.

Mr Synar's defeat is a warning not only for members who have been close to Mr Clinton but also for relatively left-wing members in the conservative south. Besides backing Mr Clinton on issues such as raising taxes on tobacco and raising grazing fees on government land, Mr Synar has a voting record which is, according to the Almanac of American Politics, "by far the most liberal of any white member from the South, more liberal than most Democrats from the North".

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No early move on sanctions

By George Graham
in Washington

The United Nations Security Council is not planning any quick move to end its economic sanctions against Haiti, despite a promise in the agreement negotiated with the military junta last Sunday that the embargo would be "lifted without delay in accordance with relevant UN resolutions".

A senior US official said that "there is not a sentiment in the United Nations at this point for lifting the UN sanctions," particularly as previous Security Council resolutions state clearly that the embargo is not to be lifted until ousted President Jean-Bertrand Aristide is restored to power.

But officials added that they had already begun discussions at the UN on how and when the sanctions might be lifted. It was possible, they said, that some of the measures such as the oil embargo and the ban on travel to and from Haiti could be lifted before Mr Aristide's return to the country.

Mr Michael McCurry, the State Department spokesman, said that discussions on easing the embargo were "on a somewhat different time line" because the deal negotiated with Lt Gen Raoul Cédras on Sunday does not require him and his colleagues to step down until October 15, unless the Haitian parliament passes a general amnesty before then.

An arms embargo is not expected to be lifted. Targeted sanctions freezing the US assets of Gen Cédras and a number of other promi-

nent backers of the military regime remain in place, Mr McCurry said. Their status will be evaluated as necessary.

Since the military coup which ousted Mr Aristide in 1991, economic sanctions have been the object of much heart-searching.

Their primary impact has been on the already impoverished Haitian people, while the military junta and its wealthy supporters have until recently been able to shake off its worst effects with weekend shopping trips to Miami.

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Frei reshuffles Chile cabinet after criticism

By David Pilling in Santiago

After only six months in office, President Eduardo Frei of Chile has reshuffled his cabinet, promising a new "urgency" to his government programme and an "accelerated implementation of our priorities".

The move comes in response to criticism that the new administration has succumbed to inertia, and to suggestions that the president has failed to stamp his authority on government policy. The fresh appointments are, however, unlikely to change the general thrust of the administration's programme.

"My government has finished one phase and begun another," said Mr Frei in announcing the changes on Tuesday. "In the first phase, we have established our priorities. ... We now need to concentrate on the tasks of education, infrastructure and increasing production."

Prime casualty in the reshuffle was Mr German Correa, the Socialist interior minister, whose removal weakens the position of the Socialist party within the Christian Democrat-dominated coalition. Mr Correa was replaced by Christian Democrat Mr Carlos Figueroa, previously foreign minister, who is more closely aligned politically with the president.

The sacking of Mr Correa - although partly offset by the appointment of fellow Socialist José Miguel Insulza - is likely to put some strain on party relations within the Concerta-

ción coalition. Socialists, the second biggest force within the coalition, admitted they were "very surprised" by a move they considered "unjustified".

Another important casualty was Mr Ernesto Schiefelbein,



Frei: promised new urgency to government programme

minister of education, who was regarded as lacking the political astuteness to engineer much-needed reforms to the educational system. Mr Schiefelbein, an independent academic, had already lost the good will of teachers by failing to consult them over reform.

Mr Sergio Molina, a Christian Democrat, takes over what is likely to become the high-profile education portfolio. President Frei has promised to devote far greater resources to the sector.

US accepts Russia's move on freer emigration

In preparation for his summit next week in Washington with Russian President Boris Yeltsin, President Bill Clinton issued a declaration that Russia allows its citizens to emigrate freely, thus moving a step closer towards normalising US trade with the former Soviet state, writes Nancy Dunne in Washington.

Under a US law called the Jackson-Vanik amendment, trade

relations with communist countries were linked to the governments' emigration policies. With the law still in effect, Mr Clinton has been required to issue a yearly waiver to allow Russian products to get Most Favoured Nation tariff treatment. MFN gives them the same low tariffs as the members of the General Agreement on Tariffs and Trade.

Mr Clinton's declaration ends the

need for a yearly waiver, but falls short of requesting a new law from Congress. It has been long argued that Jackson-Vanik discouraged private investment in Russia because investors had no certainty they could export into the US.

As long as the Jackson-Vanik amendment is still on the books - and the president has not requested its removal - the administration

must still report to Congress every six months on the status of Russian emigration policies.

Congress can also vote to disapprove the president's action, taken on Tuesday, but there is no sentiment for a reversal.

A US trade official said the president was following the same procedure established with the Czech Republic, Slovakia and Hungary, as

trade relations were normalised. Ultimately Congress passed legislation altogether removing them from the Jackson-Vanik requirements.

Although Mr Clinton has not yet requested similar legislation for Russia, the trade official said the administration hoped it was sending a signal to investors that "things are more stable" in Russia.

Restoring US labour's voice

Robert Taylor on the chief of Washington's industrial relations board

For a man who is so closely watched, some would say Bill Gould is remarkably misunderstood.

It took Congress more than seven months to ratify his appointment as chairman of the National Labor Relations Board, the five-man federal labour agency that enforces the country's basic labour law. Even after a deal had been cut with the Republicans, 33 voted against him, the highest level of recorded opposition to any Clinton nominee.

Much of US business believes him to be too pro-union, a black New Deal liberal who once worked for the United Autoworkers' union and intends to shift the power balance on the board against the interests of employers.

His prolific writings have been widely scrutinised for pro-labour bias. His new book, Agenda for Reform, that calls for changes to help union organisation and collective bargaining, "was exhibit number one at the hearings," he says.

Those who regard him as at least controversial are unlikely to be disappointed during a four-year term that ends in 1998, two years after the next presidential election.

At an industrial law conference in Oxford this week Mr Gould spoke up for a more activist board that would in a "fair and even-handed" way encourage the spread of collective bargaining. After all, he says, that is what the board's statute has required since it was established as an independent federal agency in 1935 during Franklin Roosevelt's New Deal. The board employs 2,100 staff across 33 regions and has a modest \$175m (\$113m) annual budget.

The quietly-spoken Mr Gould, who holds a law chair at Stanford University in California, does not come across as a partisan firebrand. Nor is his record that of a radical. A graduate of the London School of Economics, where he studied labour law, he advised the British Conservative party nearly 25 years ago on their Industrial Relations Act designed to regulate the unions. Lord Geoffrey Howe, former UK Chancellor of the Exchequer, remains a friend from those days and he cannot understand why the Republicans are so worried about him.

But during the Reagan-Bush years, Mr Gould says, the

board was "not abolished but trashed". One chairman of that time even admitted in public he did not approve of collective bargaining.

"My opponents had it all their own way for 15 years. They don't like or want impartiality," he says. He wants to try to restore what he sees as the board's lost authority and vigour.

Whether this can stem the remorseless decline of organised labour in the US, which now covers little more than 11 per cent of the private sector workforce, is another matter.

"It is possible we could play a role in enabling the unions to regain lost ground by actively promoting collective bargaining," says Mr Gould. But in his book even he admits changes in the market economy have been "far more important than the law itself" in explaining the drop in union membership.

While he regrets the recent refusal by Congress to support President Bill Clinton's bill to prevent employers replacing strikers with new workers, he also argues "the enactment of labour law reform will not necessarily reverse the process of decline".

He hopes that under his

chairmanship the board can "foster a more co-operative environment between labour and management". Mr Gould has already established advisory panels from both sides of industry to help him in that process.

Mr Gould stresses that he will administer the law without bias or favour. "We will enforce the statutes against all wrong-doers," he insists. In his first six months in the job he secured 60 injunctions, mainly against employers to stop them carrying on alleged unfair labour practices.

But he has shown he is no poodle of organised labour by initiating contempt proceedings against the United Mine Workers union for violation of a board decision.

Mr Gould has attracted criticism from employers for his executive decision to hold only postal and not workplace secret ballots of workers in union recognition cases. Some companies believe this shift will give an unfair advantage to trade union organisers who will be able to visit the homes of workers to influence them.

But the board believes holding such ballots inside the company can open them up to



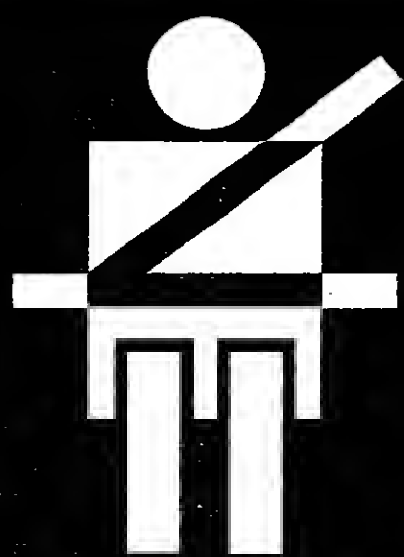
Gould: wants to foster a more co-operative environment between labour and management... without bias or favour

undue employer pressure.

Mr Gould has also speeded procedures to cut the backlog of cases and prevent wasteful litigation. He points out that he alone cannot restore the fortunes of the American labour movement. "We cannot do it for them," he says.

Well aware of his precarious

position, he also realises he could find himself in a minority on his own board after the mid-term congressional elections. At present he holds a three-to-two balance but if there is a Republican triumph as expected, a new nominee could shift the board once more into conservative hands.



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Non-EU exports rise to record highs

By Gillian Tett in London

British exports to countries outside the European Union rose to record levels last month, with UK manufacturers reaping the benefits of strong growth in the US and Far Eastern economies.

The firm export growth, coupled with a falling level of imports, helped to reduce the UK trade deficit with non-EU countries to its lowest level for more than six years.

Exports to non-EU countries, which represent almost half of all British trade, were a seasonally adjusted £5.47bn (£5.41bn in July, the Central Statistical Office said yesterday).

Imports from these countries were £5.72bn, down from last month's level of £5.8bn, but roughly in line with the levels seen during most of this year.

The resulting deficit of £0.25bn was considerably better than the City had expected, and the government welcomed the data as further evidence that the UK recovery was becoming less

driven by consumer demand and more by exports and investment.

Mr Michael Heseltine, trade and industry secretary, said: "These figures are excellent news. The deficit has been halved over the last year."

The most striking part of the data, economists said, was that recovery did not appear to be bringing in large quantities of imports to meet the recent growth in UK industrial and consumer demand.

Although some economists said this might suggest a slow-

down in levels of consumer demand, others argued it might indicate that UK companies were finally responding to the effect of the 1992 sterling devaluation by starting to substitute domestic products for imports.

Mr Ian Thompson, economist at the Engineering Employers' Federation, said: "At first sight these figures do suggest that there is some import substitution now occurring in the home markets."

The growth to exports covered most industrial categories. Although strong oil

exports boosted the overall trade balance, manufacturing also performed well, with exports of manufacturing components 9 per cent higher in the three months to August, than the previous three months.

Exports of processed chemicals and metals showed particularly strong growth. Electronic and engineering goods also performed well, particularly in the US and "Asian tigers".

Mr Richard Brown, deputy director general of the British Chambers of Commerce, wel-

comed the figures as evidence that "British exporters are succeeding overseas".

However, City economists pointed out that Germany and other European countries were also seeing strong export growth.

Mr Chris Dillow, UK economist at Nomura, the Japanese securities house, said: "It is difficult to say whether the UK is increasing market share or whether it is just that the world economy is booming - but I suspect it is more that world demand is strong."

Britain in brief



Ashdown on consensus tightrope

Mr Paddy Ashdown will today seek to bridge the Liberal Democrats' further toward co-operation with Mr Tony Blair's Labour party by suggesting that the parties could co-operate to build a bipartisan consensus on issues like the future of the National Health Service.

In an attempt to narrow Liberal Democrat divisions, he will use his closing speech to the party conference to set the price for any formal deal as a Labour commitment to proportional representation.

His speech will walk a tightrope - holding open the door of co-operation to Mr Blair while reassuring Liberal Democrats that they will not be "rolled over" in any discussions.

But Mr Ashdown's attempts during a difficult and unpredictable Brighton conference to hold open the door to Mr Blair were clouded when the newly elected party president launched a strong attack on the new Labour leader.

Mr Robert MacLennan accused Mr Blair of reducing Labour to "a sort of smiling anarchy". Mr MacLennan told journalists he was determined there should be no "behind-the-scenes bargaining with Labour".

New accounting standards attacked

The Accounting Standards Board was yesterday accused of "destroying" one of the basic principles of accounting after it issued two new standards covering acquisitions and mergers.

The ASB, which decides how financial information is presented in the UK, said the new rules "call for a more objective, neutral and informative approach" in accounting for business combinations.

The board said the new

codes were designed to restrict the use of merger accounting and outlaw abuses in the reporting of acquisitions.

The Hundred Group, which consists of the finance directors of companies in the FTSE-100 share index, described parts of the new standard on acquisitions as "completely illogical".

MMB raises milk row stakes

The UK's Milk Marketing Board said yesterday it would call on the government to postpone the November deregulation of the milk market if the dairy trade wins leave for a judicial review.

Its threat raised the stakes in the row over milk on the eve of today's High Court hearing of the Dairy Trade Federation's case.

The federation is challenging the government's approval of deregulation on the grounds that the new system for selling milk to dairy companies will push costs up sharply and lead to a flood of imports.

Jordan leads field for trade union post

Mr Bill Jordan is likely to stand down as president of the AEEU craft union to take over as general secretary of the International Confederation of Free Trade Unions, the main trade union international with 174 affiliates in 124 countries.

Mr Jordan, 58, yesterday nominated by the executive committee of the Trades Union Council in London, is not certain to get the top job in international trade unionism but with backing from the US, Germany and Japan he is the favourite.

Signalmen's strike costs criticised

The railway signalmen's strike has cost British Rail £200m in lost revenues and isolating "core business" which may never be regained, Mr John Nelson, managing director of its south-eastern train operations said yesterday.

He was speaking as wage negotiations between the RMT transport union and Railtrack resumed at the Acas conciliation service.

Japan spends to protect semiconductor supremacy

William Dawkins and Alan Cane on the global pressures driving NEC investment in Scotland

NEC's investment of ¥80bn (£795m) in Livingston, while smaller than expected, is the latest stage in a race by Japan's semiconductor industry to increase capacity in line with a global explosion in demand.

Mr Hajime Sasaki, NEC executive vice-president responsible for semiconductors, says there is a 20 per cent world-wide shortfall in memory chips. It is affecting producers of telecommunications equipment, computer systems, and consumer electronic products, all of which have a prodigious appetite for semiconductor memory.

NEC's action follows a decision a day earlier by Toshiba, the second-largest Japanese chip producer after NEC, to invest ¥100bn in semiconductor production in Japan.

Japanese chip companies are eager not to slip behind their US competitors' aggressive expansion in capacity - NEC last year lost its position as the world's top semiconductor producer in dollar sales terms to Intel of the US, a symbolic blow which it intends to redress.

The two countries excel in different areas - the US leads in microprocessors, the heart of computer systems which command high added value,

and the Japanese in memory production, commodity products for which margins are low.

Japan's six leading electronics companies plan to increase investment in semiconductor-making capacity by 15.3 per cent to a combined ¥461bn in the year to next March.

US semiconductor producers believe the world chip market will double from its present \$100bn (£64.5bn) by the end of the decade.

The Japanese are more cautious, however, believing the market will grow only 50 per cent by then, with most of the growth in Asia, Taiwan and South Korea are now aggressive players.

Chipmakers across the world agree that the sharp rise in demand for semiconductors - 15 per cent worldwide this year - will continue well after 1997 by which time plants announced this year will have started production.

A rise in demand for personal computers fuels this year's growth, to be taken over in the next few years by memory-hungry multimedia machines, mobile telephones, and the growing use of software such as new generations of Windows, the leading computer operating system from Microsoft of the US.

The new plants announced by NEC and Toshiba will both make 64 megabit dynamic random access memories (DRAMs), the next generation chip.

NEC's decision to expand its Livingston plant continues the growing Japanese trend of shifting production to cheaper locations, stimulated by the yen's sharp rise. NEC's overseas production will rise from 15 per cent to 20 per cent of the total, said officials.

NEC's UK semiconductor plant is the most productive of NEC's semiconductor plants, but other factors were involved in making the finely balanced choice between expanding capacity at Livingston or at another NEC plant in California, explained Mr Sasaki.

California, with its plethora of computer and telecommunications companies, had a clear advantage over Scotland in the size of the local market, said Mr Sasaki. The sites were equal on the other main criteria, infrastructure and the availability of skilled engineers. Financial incentives played a very secondary part in the decision.

One factor that may have tipped the balance, he hinted, was the need to manufacture inside the European Union to avoid tariffs on imported chips.



HMS Ark Royal, one of the most famous ships built by the threatened Swan Hunter yard, returned to the River Tyne yesterday before being mothballed to await a refit. It will resume service at the end of the decade. Swan Hunter will be closed unless receivers can find a buyer before November.

SIB chief seeks to head off split

By Alison Smith

The City of London's chief regulator has begun a series of meetings with top life industry executives in an attempt to head off a damaging public split between the industry and its watchdog over the sale of personal pensions.

The move, by Mr Andrew Large, chairman of the Securities and Investments Board, comes ahead of the planned publication by the regulator

late next month of a report on compensating people who have suffered from poor advice over transferring out of occupational pension schemes.

The SIB will face public criticism if its plans do not provide full redress for everyone who may have lost out. But life companies want to focus only on cases where customers have clearly suffered, and do not want to give others a chance to change their earlier decisions.

Mr Large is warning chief

executives of some large life insurance companies that a high-profile clash between life insurers and the SIB about compensating victims of mis-selling would further damage the reputation of the industry.

Figures from the Association of British Insurers have shown that sales of some products have already fallen this year and that public concern about pension sales is one of the causes.



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MANAGEMENT: MARKETING AND ADVERTISING

Russia has become an advertiser's dream, says John Thornhill, but a nightmare for regulators

Signs of the times

There was a time when the only advertisements on the roof-tops of Russian cities were imposing slogans extolling the virtues of the proletariat and the glories of the communist party. But since the collapse of Soviet power, the cities' skylines have been transformed. Giant neon signs now light up the night sky promoting Marlboro cigarettes or Sanyo stereo systems. They are the most visible sign that Russia's consumer age has dawned.

Turn on the television and the change is just as startling. Commercials now team between Mexican soap operas and gritty game shows. Elsewhere, billboards have mushroomed, glossy magazines are eagerly devoured and flybees handed out at metro stops promise returns of 1,800 per cent a year from various investment funds. "The advertising market really only began here two-and-a-half years ago but it has been growing at a phenomenal rate ever since," says Palavi Sodhi, media director of Ogilvy & Mather's Moscow office.

But advertising's helter-skelter growth has occurred almost entirely unchecked and there has been little debate about who should regulate these new powers of persuasion. The threat from the unscrupulous is great because of advertising's novelty. "In the west most people instinctively distrust what they see in commercials. Here that is still not the case," one western advertising executive says.

Russians' susceptibility to extravagant claims has been highlighted by the rise and slide of the MMM pyramid scheme which sucked in investors' money through an advertising campaign, estimated to have cost \$100m (\$64.5m). In spite of the government's warning that MMM investment certificates were little more than "pretty postcards", the

company continued advertising during many of Russia's most popular television shows. The government has now banned MMM from advertising in state-run media but it has simply switched to private media outlets. The bumdrum star of its television advertisements, Lyonya Golubkov, can still be seen most nights dancing with a Mexican soap opera queen.

The lack of regulation has led Russian psychologists to warn of

There may be as many as 800 agencies in Moscow alone - many of them of dubious reputation

other dangers such as subliminal advertising, in which images flashed up in the middle of a commercial leave an impression on the sub-conscious mind. That may be relatively harmless when ice cream is being sold but fears are spreading that such techniques could be used for sinister political purposes. "What if someone wanted to make Lyonya Golubkov president?"

the weekly magazine New Times asked in a long examination of advertising's new power. The effective use of television was one of the main reasons for the strong showing of the extreme nationalist, Vladimir Zhirinovskiy, in last year's presidential elections, the magazine observed.

The government has finally responded to such concerns and is drafting a law to regulate the industry. This promises to stop all advertising from unlicensed companies, such as MMM. It would also ban subliminal advertising and insist all material is "trustworthy and conscientious".

All cigarette and alcohol advertising would be banned and measures introduced to protect the young from unscrupulous campaigns.

But the most critical test of the legislation will be its implementation. As a scathing front-page article in Pravda observed, it is already supposedly illegal to advertise potentially harmful products, such as alcohol and cigarettes, under the government's existing health laws. The government lacks effective powers of enforcement and Russian businesses have a proven ability of staying one step ahead of

officials. Completely new advertising channels, such as the fast-growing unofficial cable television operators, also threaten to become the regulators' nightmare.

The biggest battle, though, is likely to be fought on mainstream television, which accounts for three-quarters of all estimated advertising expenditure. About 98 per cent of the Russian population have access to television with the main channel, Ostankino, reaching a potential 280m people in the former Soviet Union and beyond. Despite recent sharp rises in the cost of advertising, it remains extremely cheap compared with other countries and an attractive means of promoting products.

"We like and use television advertising because of the sheer size of the country," says Michael Parsons, eastern Europe spokesman for Philip Morris, which advertises many cigarette and food brands in Russia, such as Marlboro. "There are 11 time zones and there is no other really effective means of reaching consumers across such a large land mass."

Most western multinational companies operating in Russia say they have their own strict guidelines on



New slogans for mass consumption: advertising in Russia is still a novelty

what advertising material they use. The big western agencies, such as DMB&B, Young & Rubicam, BBDO, and Ogilvy & Mather, which were

the first to develop the Russian market also claim - somewhat piously - that they are bound by ethical considerations.

But there are few restrictions to stop any company, such as MMM, producing its own advertisements and putting them on the air. Many Russian entrepreneurs have also moved into creative advertising. One estimate suggests there may be as many as 800 agencies in Moscow alone - many of them of dubious reputation.

But the biggest and the best of them, such as Video International and Premier SV, have rapidly evolved into formidable operations. They are already making high-quality advertisements, including some for western agencies and clients, and have strengthened their grip on the media market by buying up big chunks of advertising time on the main television channels.

Alexei Gusev, director of Video International, says the private company now employs 250 full-time staff and uses more than 100 freelancers. He forecasts that its annual income will have jumped from \$250,000 three years ago to more than \$10m by the end of this year. Video International has secured its position by buying up more than half the advertising time available on Ostankino.

Yagor Makhalov, production director of Premier SV, says the Russian advertising industry is learning fast and will soon prove more than a match for the western agencies. "Technically the western agencies are better but Russian agencies have good ideas and know a lot more about how the Russian market works," he says.

If the government's attempts at regulation prove fruitless, it may ultimately have to rely on these new power brokers to win the nation's hearts and minds. Significantly, perhaps, the ministry of finance has just commissioned its own advertising campaign to fight the financial fraudsters.

Societies hang on to homely image

Alison Smith finds that the traditional mortgage lenders have retained the public's affection

The recent rise in mortgage interest rates has created some uneasiness among lenders about the rates they will soon be charging their customers.

Not for the first time commentators have highlighted the way the new rates tend to be passed on more quickly to borrowers than to savers.

For the most part, however, the building societies that dominate the UK mortgage market have a markedly better public reputation than the high street banks, even though the financial services they offer increasingly overlap.

Earlier this year, a survey by polling organisation EMRB for the Building Societies Association suggested that societies were regarded more positively than banks or insurance companies, scoring more strongly on fair

dealing, communicating with customers, taking complaints seriously and being more understanding of those with financial problems.

It is perhaps striking, therefore, that more societies do not exploit this apparent affection more vigorously in their advertising. Only the Nationwide - with its slogan "The Building Society", and its use of staff to devise and appear in advertisements - has wholeheartedly cultivated this traditional image.

"We want to put across that we are an honest, open, decent type of organisation to do business with,"

says Dennis Brockwell, Nationwide marketing director.

"Using real people has given us credibility compared with some of our competitors. Customers have asked local staff why they have not appeared in the campaign."

By contrast, the line in the Halifax campaign - "The building society you can bank on" - looks like an attempt to combine the warmth felt for societies with a claim for competence in delivering services which may not be so immediately associated with the sector.

Other recent campaigns - such as the one promoting the Alliance &

Leicester's new Alliance current account - have concentrated on particular products or services and made no feature of the type of organisation offering them.

This lack of emphasis is particularly notable given the lengths to which Abbey National, the former society turned bank, has gone to retain the affection people apparently feel for societies.

The group decided not to include the word "bank" in its name within the UK to distance itself from the four largest clearing banks. It also kept its logo - two people walking along with the roof of a house as an umbrella - which has been used

since 1944.

Whatever their differences there is a general consensus among societies that seeking to differentiate themselves explicitly from banks is not the answer.

A&L has a particular complication, as John Day, director of marketing, admits. One of its subsidiaries is Girobank, which it bought from the Post Office in 1990.

Day is wary of contrasting banks and societies in A&L's marketing, though he emphasises that the society does not want to be seen as "bank-like" in terms of the standards of services which

customers expect.

"We feel you have to be careful how you take that stance - after all we are moving more into banking products," he says.

The Halifax is aware that the perceived virtues of societies can be seen as weaknesses too. However "nice" societies are thought to be, they are not necessarily viewed as efficient, particularly in delivering services, where the premium is on speed and accuracy rather than the personal touch.

Mike Lavender, marketing assistant general manager, says "The Building Society you can Bank on" slogan, which suggests

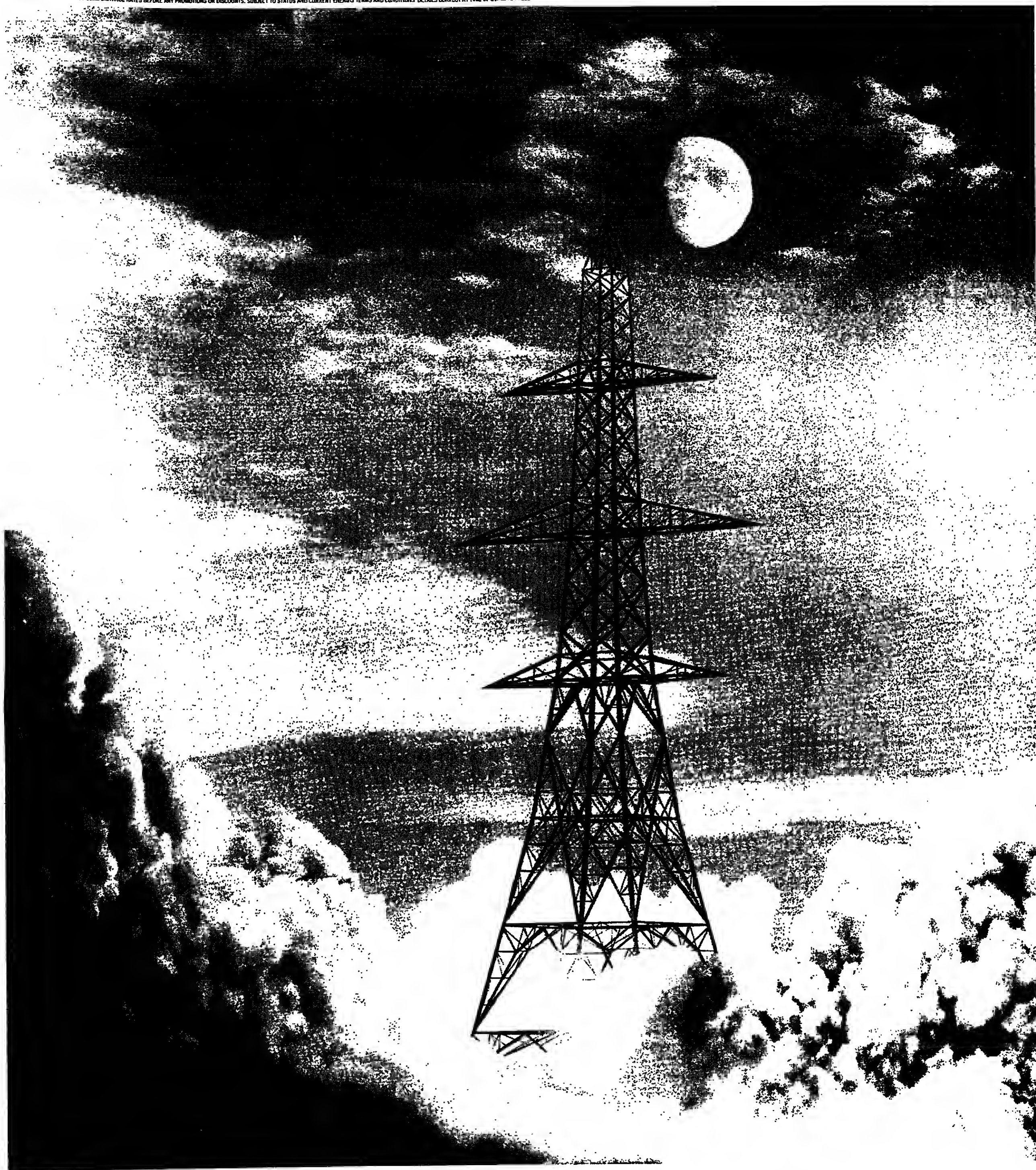
the best of both worlds, is being used specifically to promote banking products such as current accounts and motor insurance.

At the same time the Halifax aims to retain what Lavender calls the "warm and cuddly" image through its more general television advertising, which is based on the idea of people coming together to build structures.

This theme was developed three years ago to prevent the erosion of support for the society as it diversified into new activities which were further away from societies' roots.

"You can't go into bank accounts or estate agency without perhaps some drag on the brand," Lavender says. He believes that as societies take more advantage of the opportunities to diversify, other large societies will try to "get back to that warm feeling".

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Of machines and men

Vanessa Houlder launches a series on IT innovation in the financial services industry

In the depths of Midland Global Market's blue glass offices by the River Thames, a phalanx of computers is engaged in a battle of man against machine. These systems, which have the collective power of a supercomputer, are attempting to find ways to beat the financial markets more consistently than human traders.

Between five and 25 times a day, the basement's rarefied atmosphere is disturbed by a few bars of Deutschland über Alles or the Star Spangled Banner. These tunes are emitted by a computer signalling a recommendation to buy or sell futures - the right or obligation to buy or sell a bond or other financial instrument at a certain date - in one of five markets: the bund (German bonds), FTSE, US Treasury Bond, Swiss Franc or S&P500.

This is an example of a new phenomenon in the banking world. Midland's 16-month-old experiment with computer-based predictive models is one of numerous attempts in the City of London and Wall Street to find reliable ways of making money from advances in computing and mathematical theory.

Over the past few years, the financial institutions have recruited mathematicians and physicists - known in the City as "rocket scientists" - on an unprecedented scale. The Midland team, for example, includes two people who really are rocket scientists: the others have degrees and doctorates in physics, mathematics and engineering.

Computerised trading models have aroused intense controversy. Their champions argue that "intelligent" computer software will soon outstrip highly-paid traders, detractors argue that they are a pointless sideline, based on inherently flawed assumptions about the way that markets work.

Some aspects of this debate are not new. Fascination with methods of predicting the market goes back centuries. For example, one system which gained popularity in the 1870s advised the investor to buy on the stock

exchange when it had moved up by 10 per cent and sell when it had moved down by 10 per cent.

The difficulty of manipulating data by hand put tight constraints on the number and complexity of trading rules that could be tested against the market. It was only when powerful computers and detailed historical market data became available that the creation of models could be pushed into a different league.

The Midland system, for example, involves about 60 personal computers and a 16 gigabyte database, which holds up to 20 years of market data. It receives 250,000 prices daily, each of which is time-stamped with a radio signal from an atomic clock.

But can computer models really predict the way markets move? Classical economic theory suggests there is no systematic way to beat the market other than by receiving sen-

sitive information faster. The markets are inherently unpredictable because they are only moved by unexpected news; old news is already assimilated in the market.

This theory is seen by some as an oversimplification. Markets are driven by many different players, such as market makers, speculators, portfolio managers and central bankers. Since they have different investment horizons and different attitudes to risk, they may react to the same information in different ways.

Many theorists believe that although most market movements are random, a sizeable proportion is not

Many theorists believe that although most market movements are random, a sizeable proportion is not

faultless. For example, the model made significant losses in March and April - triggered, Idelson believes, by Japanese funds pulling large sums of money out of the bond markets.

The model could not cope with this because the market conditions were unlike any encountered during testing.

This highlights an important dilemma for model builders, namely deciding the exact circumstances when a trader should override the decisions made by the model. Some traders believe that automated trading machines should be switched off whenever market conditions differ from those in historical simulations. But ultimately, the decision about when to switch the machine on and off is a matter of subjective judgment.

The problem of judging when the machine will be unable to cope with anomalous mar-

ket conditions is made more acute by another possible explanation for a poor performance by a model, known as "over-fitting" - when so many rules are incorporated in the model that it fits the historical data on which it was tested but is a dismal failure in live trading.

This is a common pitfall for model builders who unwittingly take familiar data into account when designing their model or choosing their parameters.

Another problem arises from changes in the pattern and behaviour of markets. Models should be periodically monitored to discover if there is a "slow drift" in empirical parameters used to describe markets over time, according to Idelson.

To some extent, it is inevitable that models may become obsolete. If enough people discover and exploit the same anomalies and patterns in the market, those anomalies and patterns will eventually disappear. "It is a vicious circle," says Refenes. "The more tools there are, the more efficient the markets will become. Therefore they [traders] demand better tools and the market becomes still more efficient."

But this is seen as an opportunity, rather than a threat by Richard Olsen, who heads Olsen & Associates, a Zurich-based research institute. He argues that the additional trading opportunities created by computer models will lead to higher market volumes, which will reduce transaction costs. This will increase opportunities for short-term trading, creating a more complex market and new opportunities for profitable trading models.

To some, this vision of wealth-creating computers is an absurdity; others believe it is already within their grasp. Depending on which view is vindicated, the impact of new technology on the financial markets will either be a passing phenomenon, or will have profound, long-term effects.

The next article in the series will focus on computing tools.

Smoking out the truth

Sheila Jones and Frances Williams on the statistics of tobacco

Statistics can give impressive truths, precise lies, but never facts. Yet statistical studies of smoking habits and mortality rates in the developed world have established in the minds of most that there is a strong link between smoking and the incidence of lung cancer and other diseases.

Earlier this week, the World Health Organisation and the Imperial Cancer Research Fund published their study, *Mortality from Smoking in Developed Countries 1950-2000*. It concludes that 3m people worldwide are dying each year through diseases related to smoking. The tobacco "epidemic" is killing six people a minute.

The study, citing US data, found that the risk of lung cancer is 24 times higher for a smoker than a non-smoker. For heart disease the risk is three times greater.

The tobacco industry, as a whole, has fought hard against a growing mountain of statistical evidence.

John Ashford, a consultant in statistics, dismissed the WHO/ICRF study this week in a BBC radio tussle with Richard Peto, one of the co-authors. According to Ashford, an adviser to several international tobacco companies, the study is "scaremongering - generating very large numbers and using them to frighten people".

Studies since the 1950s, when Sir Richard Doll first pointed to a causal link between smoking and cancer, have all painted the same picture: that tobacco kills. This is the point about statistics, says Peto. "We are not claiming precision, but we are getting the right picture," he says. "The overall numbers might be too high or too low, but using the same methods in different years and in different countries, you can see how the epidemic is evolving."

The WHO/ICRF report bases its conclusions and forecasts in large part on data collected in the US and the UK. It examines smoking habits and mortality rates over four decades. Forecasts are based on the proportion of smokers in the population, and on the assumed risk based on US and UK data.

The main point is to examine smokers and death rates over prolonged periods, according to the authors. The current epidemic is among males in the developed world who started smoking as young men in the mid-1940s. The increase in male deaths is slowing, as smokers in the developed world respond to health warnings, but it is speeding up among female smokers, and among men in developing countries, where smoking has been taken up later.

In the US, researchers asked 1m Americans in the early 1980s how much they smoked and monitored their death rates over the next few years. The US is a "mature epidemic population" - that is, the risks of smoking have had the chance to work through a lifetime.

A UK study of 40,000 doctors, which asked the same sort of questions in 1951, came to broadly similar conclusions. Both studies found that smokers faced a much greater risk than non-smokers of premature death from lung cancer or from vascular and respiratory diseases.

The WHO/ICRF study goes on to predict that the worst is yet to come, especially in developing countries, where smoking is rising among men. There is no evidence the trend applies to women yet, but it could come with economic modernisation and changing lifestyles, according to Alan Lopez, another co-author.

"The quality of the data in the developing world is mixed," says Lopez. "But for some countries, such as China, we have very precise information... we know a lot of men are smoking in developing countries. We don't know for sure what the risk of death from smoking is in these countries because the full impact is yet to come."

The WHO/ICRF authors say their next task is to gather yet more statistics. "They won't change the big picture," says Peto. "But they're bound to change the fine detail. The question with statistics is not 'is this exactly right?' No, it isn't. But, if you ask 'is this the order of the epidemic?' Yes it is."

* *Mortality From Smoking in Developed Countries - 1950 - 2000*. Oxford University Press, £50.

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1995 prize, worth not less than £3,000, is: DOES FREE TRADE THREATEN THE ENVIRONMENT?

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 6 1995

APPLICATIONS TO:
ROBIN PAULEY, MANAGING EDITOR
THE FINANCIAL TIMES (L)
NUMBER ONE SOUTHWARK BRIDGE
LONDON SE1 9HL

PEOPLE

Richards to pep up Peptide

Peptide Therapeutics, the biopharmaceutical development company which is planning a flotation later this year, has appointed one of the UK's leading biotechnology scientists, Brian Richards, as its non-executive chairman.

Richards, 62, has a string of academic qualifications starting with a first class degree in agricultural sciences from the Aberystwyth branch of the University of Wales in 1962. Ten years later he was Reader in biological sciences at the University of London, assisting in the establishment of the UK's first school of biological sciences.

In 1966 Richards helped set up a UK research laboratory



for the US company G.D. Searle & Co, which pioneered research into immunology and genetic engineering. Monsanto bought G.D. Searle in 1986.

whereupon Richards, together with Keith McCullagh and Geoffrey Eckersley, started British Bio-Technology (BB), backed by £3.5m from UK and US investors. Richards remains non-executive chairman.

Peptide's main areas of research focus on asthma, allergies and rheumatoid arthritis, while BB is currently engaged in programmes for anti-cancer treatments, though it too is engaged in research into treating side-effects of asthma.

Besides his role at BB, Richards recently chaired a Stock Exchange committee which considered the current listing rules for science-based companies.

Downing emerges at Lehman

Lehman Brothers, the US investment bank, has bolstered its European business with the appointment of James Downing as head of strategic advisory services for Europe.

The new head of Lehman's European M&A is another high-level departure from Wasserstein Perella, the M&A boutique involved in many of the most prominent transactions of the late 1980s.

Joseph Perella, one of its founders, parted company in 1993, and altogether at least six senior figures have left in the past 12 months.

Two of them have gone to Lehman Brothers. Francois Faure made a similar move to Downing's in June. Formerly head of M&A for Wasserstein Perella in Paris, he moved to join Lehman's team covering French M&A.

Downing says he is moving to Lehman Brothers because of its diversity of products which he contrasts with the focused approach of Wasserstein Perella. "It is important to broaden out," he says.

Downing joined Wasserstein Perella from CS First Boston, where he worked from 1985. He has been involved in M&A, since 1982 in both New York and London; he is a graduate of Yale school of management.

David Gilchrist has been promoted to group secretary of the HALIFAX BUILDING SOCIETY.

■ David Hall has been appointed chief executive of Johnson & Firth Brown, the specialist engineering group, in a move that follows the decision to sell most of its light engineering division.

The appointment ends an arrangement under which JFB had two joint managing directors, Hall and George Hardie. The portfolio of companies are being bought by Clearbase, a consortium led by Hardie, who also ran the light engineering division. Hardie has now resigned as a director of JFB.

Hardie was also finance director, and is replaced in this capacity by Neil MacDonald, who was appointed a JFB director last month. Tony Edinburg has resigned as company secretary, replaced by John Bergin.

■ Michael Sennott is marking his 30th year with McCann-Erickson with a new job and a change of scenery. The advertising agency's 52-year-old vice-chairman is about to move from New York to London to become director of its largest regional operating arm, McCann-Erickson Europe.

Beginning at the new year, Sennott will take over from Max Cusmir, a worldwide executive vice-president at the agency. Cusmir, a 62-year-old Belgian, will remain in Europe to work on international business development projects, reporting directly to John Dooner, president and chief executive of McCann World-wide.

The assignment is somewhat of a reprise for Sennott. In the early 1990s, the executive shared responsibility with Cus-

nir for managing the European operation, which currently manages £2.5bn in advertising accounts for its clients. After completing that assignment, Sennott was appointed to his current post, which carries the additional title of worldwide director of multinational accounts. McCann has not named his successor.

■ Bob Cameron, director of manufacturing, and Keith Dennis, director of personnel, have been appointed to the board of COCA-COLA & SCHWEPES Beverages.

■ Peter Mason (below), chief executive of Balfour Beatty, BICC's construction arm, has been appointed chairman with immediate effect, taking over from Sir Robert Davidson who is retiring. Mason, 48, joined Balfour Beatty from Norwest Holst in 1992.

Sir Robert has been appointed chairman of Devonport Management, the company formed in 1987 to manage Devonport Royal Dockyard, and continues as a non-executive director of BICC.



Non-executive directors



■ Peter Ellwood (above), chief executive of TSB Group and chairman of Visa International, at SEARS.

■ Christopher Pearce, group finance director of Rentokil, at The BURTON GROUP.

■ Wolfgang Kullenkampff, a director of Thyssen Hanf Logistic, and James Salmon, former md of Crossfield Electronics, as chairman at ISA INTERNATIONAL.

■ Sir John Riddell at GOVETT STRATEGIC INVESTMENT TRUST.

■ Ian Gowrie-Smith has resigned from MEDEVA but remains a consultant.

■ Mark Robinson MP at LEOPOLD JOSEPH HOLDINGS.

■ Laurence Olivier has retired from MERIVALE MOORE.

■ David Pearl, former chairman of London Securities, and Terry Thomas, md of the Co-Operative Bank, at STANLEY LEISURE ORGANISATION.

■ Antony Coleby, a former executive director of the Bank of England who was involved in monetary policy and market operations and who is also on the board of the Halifax Building Society, at the Dublin-based ANGLIO IRISH BANK CORPORATION.

■ Laurie Conner, 57, a former managing director of corporate finance at Hoare Govett, and Lionel Barras, 62, an investment banker, at Guinness Mahon & Co.

■ John Rowson, formerly senior partner of Herbert Smith, and Nicholas Barber as deputy chairman at ROYAL INSURANCE HOLDINGS. This follows Allen Gurnly becoming chairman on Sir John Cuckney's retirement; Sir Max Williams and Sir John Milne are to retire after the next agm.

■ Simon Miller, chairman of Safetynet and Ferrum Holdings, as chairman of DUNEDIN VENTURES.

Cinema/Nigel Andrews

Characters in search of a plot

The curse of movie sequels is the tyranny of plot. Part one of a cine-saga is enriched by the process of introducing characters and developing their foibles and interplay. In part two that groundwork is done - so the film-makers must take on their scaffolding tools. Build that narrative adventure-play ground! Make the characters do something! The higher the climbing-frame the better; and never mind how silly the design, so long as there are enough "What next?" rungs to grab the attention.

City Slickers was a comedy about a band of urban males surrendering to Nature on a dude cowboy holiday. No plot in particular: just a funny tale of culture shock in cactusland. *CS2* has a different feel from the start. The humanist honey-moon is over; the Hollywood hokum is about to begin. We imagine the opening salutes at the story conference. "Guys, we gotta have a story this time round!" And then, "Guys, we gotta bring Jack Palance back into this pic even though he died in the first one. He won us an Oscar!"

Well, there are only two ways to bring a dead character back: as a ghost or a twin. *Slickers 2* opts for the second. Grizzled Jack plays his fraternal double while star/screenwriter Billy Crystal re-plays Mr Menopausal of Manhattan, whom wild horses and a lightning bolt drag back into the wilderness but whom a Compelling Plot

CITY SLICKERS 2 (12)
Paul Weiland

ABRAHAM VALLEY (PG)
Manoel De Oliveira

GETTYSBURG (PG)
Roland F. Maxwell

FAUST (15)
Jan Svankmajer

Device just might. "Try buried treasure," an excited executive must have said. So they do.

Off to wildest Utah go Mitch (Crystal), Phil (Daniel Stern) and a token new character in Mitch's brother (John Lovitz). And soon Palance is pouncing off a rock at them. He is after the treasure as well, since it is his Pop's. He growsl; he hisses through that gargle mail-slit of a mouth; he generally behaves like a great character actor required to ham it up.

Not all is lost, even though Palance is squandered. Crystal can still deliver a mean, on-line, whether discussing brotherhood with Phil - "I can't believe you two are from the same gene pool," says Phil. "Ha's from the shallow end" answers Mitch.

But mostly everyone seems dazed by the piling on of plot and of irrelevant action sequences, including a silly stampede. Director Paul Weiland, out of British TV commercials by one disastrous previous feature outing (*Leonard*

Part 7D, brings little flair to the visuals and not much more to the jokes.

For true comedy you should try *Abraham Valley*. This purports to be a film by Portuguese director Manoel De Oliveira, maker of those magisterial lost-love epics *Francesca* and *Amor Di Perdiçao*. But we wonder at times if it is not a lost episode of *Monty Python*.

To escape the life of deranged formality she has been born into - the sun-lanced salons, the starched dinners - our heroine Ema leads the life of a woman inspired, as the film and the novel it is drawn from (by Agustina Bessa-Luis) make clear, by her Flaubertian namesake.

Bovaryish, she marries a doctor, a clever doctor, expert in phlegm, says the voice-over narrator. Bovaryish, she has affairs; reads a lot; gets bored amid the lovely, yawning scenery. The press-show audience gave a sympathetic chortle when the narrator told us, after two hours of this near-ecstatic three-hour trans-adj/social satire/romance, "Ema was intent on stepping up the pace of her life, in any way she could think of."

Yes indeed. If only. Instead, 80 minutes later, she steps on the rotten plank of a boat jetty and drowns in what appears to be all of three feet of water.

Like any scrupulously bad film, *Abraham Valley* has its scraphically good moments. Oliveira can play a human profile against a painterly blur



Hollywood hokum: Billy Crystal and Jon Lovitz in 'City Slickers 2'

of autumn colours and make it an image of searing, hieratic beauty. And he can freeze the film for moments of meditation, when a poised landscape or character-grouping define not just a moment but a milieu, even an epoch.

But then the film reverts to its crazed story of passion - this woman causes cars to crash merely by standing on a terrace - and to its Looney Tunes one-liners from the narrator. "Ema put on a boiler suit to go mad in a motor boat," he intones at one point; and we are almost too dazed to savour the line's battiness. But how else to bombard a little life into a woman who is not so much a human being, more a

carbon copy of literary heroines past: a Flaubert parrot, shall we say, mimicking the cries of a superior creation.

Gettysburg is four and a half hours of the magnificent hand-to-hand combat with the mundane. It was made for American TV, so we have no big stars: just big beards and big battles. Tom Berenger and Martin Sheen sport the devouring face-fungus as Confederate Generals Longstreet and Lee and Jeff Daniels is concealed under a walrus mustache as Colonel Chamberlain. He held the yankees' flank in round one of the Civil War's bloodiest battle, leading the bayonet charge from the hill known as

Little Round Top.

Daniels shows how it should be done. Not impaling Southerners, we mean, but holding the high acting ground. He delivers the speeches about democracy with fearless passion; he delivers the tears as comrades die. Daniels' piercing simplicity as an actor ends up "holding the line" for the entire film.

Nothing matches him. Writer-director Ronald F. Maxwell spends the first half rooting for the North, the second hobnobbing in the Southern camp as Sheen, Berenger and company ready for the suicidal assault known as Pickett's March. Hundreds of extras; serial cannons spitting smoke; and an

aerial camera weaving like a conductor's baton to Randy Edelman's remorselessly "stirring" music.

We are stirred. But should we not also have been shaken? The deaths are lost in the grim abundance of clutched stomachs, unburied cavalymen and blast-catapulted bodies. We tell ourselves to be appalled. But we wait, vainly, for the one true moment of felt and intimate horror.

Jan Svankmajer's *Faust* treads the city of Prague like a lost tourist in Kafkaesque. The film begins with live action, as our clerkish, woebegone hero (Petr Cepek) threads the city's alleys and labyrinths as if they were

the mazes of his own minds. Then on dance menacing puppets, the writhing clay creatures, the bald, bog-toothed Mephistopheles and the giant wooden mask that disgorges mini-marionettes like Gulliver throwing up Lilliputians.

Kafka? Make that Kafka with a dash of Swift, *Spitting Image* and Hieronymus Bosch. Much of *Faust* is appallingly funny; most of it is inspirationally surreal; and some of it is a touch laborious, as we would expect when a short-film genius goes to feature length. Wit and vision, though, are rare enough in the movie world; we are not about to send them back even when they are thinly spread.

Theatre

Joking Apart

Watching Alan Ayckbourn's plays today prompts an increasingly two-pronged reaction. On the one hand, as soon as the curtain rises, you still feel that you have been watching this kind of play all your life. The middle-class English milieu that Ayckbourn puts onstage feel so normal, the kinds of remarks his characters make sound so ordinary, and the social satire involved is so classic. On the other hand, there is the peculiar fact that virtually no one else has been writing plays of this ilk for years. Ayckbourn today is becoming as isolated as Coward did in the 1930s: a virtuoso of an old but no longer fashionable school.

Well, fashion be damned: the Greenwich Theatre has launched its new season with an old Ayckbourn play, *Joking Apart*, and the main emotion I felt on opening night, returning to Ayckbourn, was blessed relief. A real play - with characters and dialogue crafted from the first moment to the last, and without being reinterpreted by laterday concepts. A good Ayckbourn is sheerest tonic.

Joking Apart (1979) is about a genuinely happy and fortunate couple, Richard and Anthea; but they themselves are not funny. All around them, however, are old friends who are increasingly unhappy and unfortunate, and who increasingly realise how unhappy and unfortunate they are. There are the useless new vicar Hugh (who falls in love with Anthea) and his nervous wife Louise (who winds up between stimulants and tranquilisers); and Sven (one of those people who is never wrong, until he is grimly forced to



Lesley Nicol, Julia Watson, John Arthur and Liz Crowther

learn that he is usually wrong) and his wife Olive (who lives vicariously through him, though by the end she is learning that it is not worth it); and Dylan (who fell in love with Anthea years ago, and cannot think of her since her death from her husband's subsequent girlfriends). And it is the disasters of their lives, as contrasted against the generous serenity of Richard and Anthea's, which Ayckbourn makes so dreadfully funny.

Yes, *dreadfully* funny. By the last scene I repeatedly found that I had to clap my hand over my mouth in appalled embarrassment. A little of Sven's old self-assurance surfaces, as he watches Richard fixing some lights, and he tells him "You'll never do it if you do it that way," at which point Richard proclaims "That's done it!" and, lo and behold, the lights work. Sven, crushed again, looks away in silence; he has grown resigned to defeat. Finally he makes an address to Anthea's daughter Debbie, "on behalf of life's losers".

The pain through which you laugh at all this is Ayckbourn's special feat.

It is a tribute to Ayckbourn's mastery that, even though I always remembered what would happen next, I still followed everything with wholly fresh delight. It is also a tribute to this Greenwich revival, directed by Robin Harford. All the players are good; and two are outstanding. John Arthur completely catches the difficult Sven, smouldering with barely hidden aggression; and has the brilliant timing whereby the simple repetition of "Yes" (pause) "Yes" (longer pause) "Yes" sums up all his dawning sense of perpetual defeat. And Liz Crowther is uncannily fine as Louise, awkward and tense and brittle with her husband and everyone else. Looking someone in the eye and talking to them at the same time is too much for her; so she does one or the other.

Alastair Macaulay

Greenwich Theatre, until October 29.

Toshiba support for the ICA

The Institute of Contemporary Arts, London's guardian of the avant-garde, is to change its name, and, ideally, its home. In future it will be known the ICA (Sponsored by Toshiba), and by the millennium hopes to be in new, more flexible, premises, with Blackfriars Bridge its preferred site.

Toshiba, the Japanese electronics manufacturer, is giving the ICA £500,000 over three years and in return will have its name attached to every piece of publicity material and event at the ICA. It also gets the opportunity to display its newest hardware in the foyer of the ICA's Mall galleries.

The money will enable the ICA to mount more adventurous art shows, cinema seasons and plays. The deal also involves support in kind. Toshiba was looking for an arts sponsorship which conveyed cutting edge innovation and the ICA certainly provides that. There will be no interference in programming policy.

Although a Nash terrace in the Mall is an unusual and prestigious site for an art gallery, the building is the wrong shape. The hunt is on for a new home and architects will be appointed by the end of this year. There is an interesting jettison near Blackfriars Bridge, close to the Tate's proposed Basildon site for its new Gallery of Modern Art, which looks ideal.

The cost of the new ICA will be over £20m and it joins the long queue for lottery money, ideally from the Millennium Fund, perhaps from the Arts Council Lottery cash bank. The council is a good friend of the ICA and raised its grant by 7 per cent this year. But the ICA still manages to earn two thirds of its £2.4m annual turnover.

Antony Thornecroft

Dance/Clement Crisp

Cumbre Flamenca

The Cumbre Flamenca troupe is back, and that news is probably all the inducement dance-lovers need to hasten to Rosebery Avenue. The evening is real, gutsy, life-enhancing. No-one will claim that there is much variety about Flamenco: you watch it for the sake of bodies twisting, stamping, for flaring emotions; for arabesques of yowling and prodigies of rhythm from hands and feet. But at its best - and thus it is with Cumbre Flamenca - it is heady stuff.

What I love especially is the sense in which the performers commune with themselves. On certain terms, Flamenco is introspective, the performers - be it singers, guitarists, dancers - dragging their art from their psyches. The three women, Juana Amaya, Mariquilla, Angela Granados, are wonderfully contrasted dancers, each a priestess of her own rite. Amaya comes on looking rather put out - you would expect storm clouds if wife, mother, beloved, appeared looking like this at breakfast, and duck behind the marmalade. She seems to sulk her way through the first moments, as singer and guitarists urge her on. Then gradually, she is possessed by her daemon, and the movement becomes urgent, vicious in its accents, more elemental. Her art is laid bare for us - nuanced but fierce, uncompromising, stunning. At the end of her solo, hair everywhere, eyes staring, she seems drained of the wonderful identity the dance has given her. She is an extraordinary, fascinating artist.

So, too, is Mariquilla, a darling of the last Cumbre visit. She hurries on stage fully charged, in "Now I'll show you" mood, and proceeds to do so. She is, I must ungallantly observe, no longer in the first flush of girlhood, but her power and charm are the more tremendous because

of that. She marks out the stage with a first sketch of pose and step; this is her domain. She broods over some movements - and is lit the blue touch-paper, and we'd better watch out, the fireworks are about to begin. She smiles. She shouts. "The dance takes hold: the wonderful drumming of her feet, the flash of her torso, her sated look as the movement builds up in speed and her audience responds to her - these are the marks of great flamenco art. She is generous, joyous, glorious."

Very different is Angela Granados, whose dancing springs from the corral-colls of her dress's train - yards of amber ruffles - and is framed by her white shawl. It is sensuous, splendidly mannered, iconic. Her movement is luscious, her style alluring, but it is also hieratic, reduced to a fascinating essence. Where Juana Amaya and Mariquilla seem driven by the dance, Granados is always, and beautifully, its mistress.

The two men, Juan Fernandez (who is new to us) and Cristobal Reyes, are no less well contrasted. Fernandez is an elegant, stylish artist, at his most compelling when confronting or partnering another dancer. Reyes is a rhythmic virtuoso, and is phenomenal in a dialogue with the handclaps of Pedro Montoya, where the rattle and purr of his feet embroider and respond to rhythms stated by Montoya - it is a bravura display from both men.

The staging remains absolutely simple. The musicians and singers are very fine and Jose Luis Monton is superb in a guitar fantasia. The dancers offer the true raw spirit of flamenco - and as with any slug of raw spirit, you knock it back and enjoy the intoxicating kick.

At Sadler's Wells until October 8.

INTERNATIONAL ARTS GUIDE

ATHENS

Odeon of Herodes Atticus Tonight, Sat: Spyros Agryris conducts Patricia Panton's Monte Carlo Opera production of Verdi's *Otello*, with cast headed by Vladimir Atlantov, Nina Rautio and Alain Fondary. Sun: Agryris conducts Stravinsky's *Oedipus Rex* (01-322 1459).

BOLOGNA

Teatro Comunale The autumn concert season begins tomorrow and Sat with a Brahms and Dvořák programme conducted by Jiri Kouřil, featuring violin soloist Viktor Tretjakov, Mon and Tues: Vladimir Delman conducts Giuseppe Verdi's *Symphony Orchestra* in the first symphonies of Beethoven and Mahler. The opera season begins in late November (051-529999).

FLORENCE

Teatro Comunale Sat: Zubin Mehta conducts first of five performances of Jonathan Miller's production of *Così fan tutte*, with

cast including Karita Mattila, Delores Ziegler, Deon van der Walt and Alessandro Corbelli. Next Wed at Piccolo Teatro: first of four performances of Il Riscatto di campeggio, drama giocoso by 16th-century Italian composer Baldassare Galuppi (055-277 9236).

GENOA

Teatro Carlo Felice Tonight, tomorrow, Sat, Sun afternoon: Odessa Opera presents Tchaikovsky's *Maid of Orleans*. The first home-grown production of the season is Der fliegende Holländer in December (010-588329).

LONDON

THEATRE
● Beautiful Thing: the Bush production of Jonathan Harvey's uplifting play - about two boys who fall in love against a background of disintegrating families on a housing estate - resurfaces in the West End after its sell-out success at the Dorset Warehouse in March. Now previewing, opens on Mon (Duke of York's 071-836 5122).
● The Sisters Rosensweig: Maureen Lipman, Janet Suzman and Lynda Bellingham in Wendy Wasserstein's Broadway success about three American Jewish sisters who have a reunion in London. The production has just moved to the West End after a successful run in Greenwich (Old Vic 071-928 7816).
● The Playboy of the Western World: Lynne Parker's new production goes straight to the heart of Synge's dark, cruel comedy about Christy Mahon, the lying Irish playboy (Almeida 071-359 4404).

● The Devil's Disciple: Christopher Morahan directs Bernard Shaw's 1897 satire on melodrama - in repertory at the Olivier with Chekhov's *The Seagull*, starring Judi Dench (National 071-328 2252).
● The Hostage: Michael Bogdanov directs the Royal Shakespeare Company's new production of Brendan Behan's great Irish drama. In repertory with Shakespeare's *The Tempest* (Barbican 071-338 8891).
● The Winslow Boy: Peter Barkworth plays the stiff upper-lipped father battling against Whitehall to prove the innocence of his son, who has been expelled from naval college. A well-made production of Terence Rattigan's well-made 1946 play (Globe 071-494 5040).

● The Picture of Dorian Gray: Maria Aitken, Benedict Bates and Tim Pigott-Smith in a new production of Oscar Wilde's social drama (Lyric Hammersmith 081-741 2311).
● The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Wyndham's 071-369 1738).
● Dead Funny: Terry Johnson's brilliant, elegantly-acted comedy about marriage among the emotionally retarded middle classes (Vaudeville 071-836 9887).
● Saint Joan: Imogen Stubbs is the soldier saint in this fine staging of Shaw's wordy but gripping play (Strand 071-360 6803).
● Once On This Island: following Broadway success and a sell-out season at Birmingham Rep, Lynn Abrams and Stephen Flaherty's musical is welcomed into a specially created Caribbean environment at

the Royal. The fairytale story of a peasant girl's doomed love for an aristocrat is directed by David Toguri and Georina Hughes. Preview begins tonight, opens next Wed (The Island Theatre at the Royal 071-494 5080).

● She Loves Me: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals who do not know they work in the same partnererie. Ruthie Hanshall and John Gordon Sinclair head the cast (Savoy 071-336 8888).
OPERA/DANCE
Covent Garden The Royal Opera has a revival of Andrei Serban's production of Turandot, with a cast headed by Sharon Sweet and Giuseppe Giacomini, conducted by Daniele Gatti (next performances tonight, Sat, next Wed). Michael Hampe's production of La Cenerentola is revived on Mon with Olga Borodina as Angelina, conducted by Bruno Campanella. The first new productions of the season are Das Rheingold and Die Walküre on Oct 13 and 14. The Royal Ballet returns on Nov 3 with the British premiere of Anthony Dowell's new production of Sleeping Beauty (new box office number: 071-304 4000).

Coliseum English National Opera has a new production of Tosca, conducted by Alexander Gibson and staged by Keith Warner, with a cast headed by Rosalind Plowright, David Rendell and Henrik Smitt (next performances Sat and next Wed, runs till Oct 27). Jonathan Miller's production of The Mikado was revived last night and runs till Oct 6. The next new production is Massenet's Don Quichotte, opening Oct 8 (071-836 3161).

Sadler's Wells Cumbre Flamenca, a touring Spanish flamenco group, is in residence till Oct 18 (071-278 8818).

CONCERTS
Barbican Tonight: Michael Tilson Thomas conducts London Symphony Orchestra in a new work by James MacMillan and Mahler's First Symphony. Sun and next Tues: Tilson Thomas conducts Krenek, Knussen and Mahler's Second Symphony. Next Wed: Pinchas Zukerman is conductor and violin soloist with ECO in a Beethoven programme. Next Thurs: Colin Davis, Mstislav Rostropovich and Tilson Thomas head the LSO's 90th birthday gala (071-638 8891).

South Bank Centre Tonight: Francesco D'Avalos conducts Philharmonia Orchestra in works by Beethoven, Clementi, Mendelssohn and Martucci. Tomorrow: Matthias Bamert conducts LPO in Bizet, Martin, Debussy and Musorgsky/Ravel. Sat: Yevgeny Svetlanov conducts Philharmonia Orchestra in Rakhmaninov and Tchaikovsky. Sun: Franz Welser-Möst conducts LPO in Messiaen and Bruckner. Mon: Eliahu Inbal conducts NHK Symphony Orchestra in Mahler's Ninth Symphony. Tues: grand final of World Piano Competition. Oct 2: Jessye Norman (071-928 8800).

Wigmore Hall Next Tues: June Anderson song recital (071-933 2141).

MILAN
Teatro alla Scala Tonight, tomorrow, next Tues: Gianandrea Gavazzeni conducts the Zeffirelli production of La bohème, with casts

including Mirella Freni, Roberto Alagna and Nicolai Ghiaurov. Sat, next Wed and Thurs: Kenneth Montgomery conducts Handel's oratorio La Resurrezione, with soloists including Eva Mei and Barbara Fritoli. Sun and Mon: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra, with piano soloists Martha Argerich and Yevgeny Kissin (02-7200 3744).

MADRID

Teatro Lirico La Zarzuela Tonight: Spanish National Ballet opens the dance season with a mixed bill, including works by Victoria Eugenie and José Granero. Daily except Mon till Oct 2 (01-429 8225).

PRAGUE

CONCERTS
Charles Mackerras conducts the Prague Symphony Orchestra tonight at the Rudolfinum in works by Dvořák and Suk, with cello soloist Ota Hamov. Martin Turnovsky conducts next Tues and Wed in a programme of Dvořák, Mozart and Mendelssohn (02-2489 3352).
OPERA
Don Giovanni can be seen at Estates Theatre tonight, next Tues and Fri (02-2421 5001). Czech repertory at the National Theatre includes Rusalka, The Bartered Bride and Dalibor (02-2491 3437). Prague State Opera has a popular repertory including Carmen, Entführung, Les Contes d'Hoffmann and Rigoletto (02-2421 5031).

ARTS GUIDE

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Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

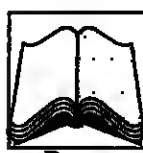
TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
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NBC/Super Channel: FT Reports 2230
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A deal too far for king of capitalism



The building of a £12bn empire, without a strategy, a sense of direction or even very much financial information, is a feat to which few people can lay claim.

James Hanson can, according to Guardian financial journalists Brummer and Cowe.

Knighted by Harold Wilson and given a peerage by Margaret Thatcher, Hanson has been the archetypal conglomerator, an aggressive predator with an eye for a badly managed target.

Disappointingly, in seeking to reveal both Lord Hanson's strengths and those of his Hanson group, Brummer and Cowe have produced a tale that is neither biography nor corporate history. The drama and personalities behind the bid battles are too often drowned out by numbers, while Lord Hanson's character and his relationship with Gordon White, the group's co-founder, remain under-explored.

The reader is left in little doubt, however, that one of the most surprising things about Lord Hanson is that he put so much distance between himself and his father's Huddersfield haulage business.

The record of his opportunistic ambushes has been hit and miss. He may have swallowed some big fish, in the form of London Brick, SCM and Imperial Group, but he has failed in his efforts to bag easier targets, such as Rolls-Royce Motors and Powell Duffryn.

His means of gathering corporate information have been crude - Lord Hanson is even said to have been attracted to companies by the photographic quality of their annual reports. He has shown no continuing interest in his acquisitions, save returns on capital and cash flow. The only value he has placed on a company is its price on disposal. And he has taken to extremes the concept of letting managers manage - asked recently how his 80,000 employees saw him, he replied: "They don't."

But Lord Hanson has been an excellent administrator, with a fearsome grasp of essentials. He has exploited every accountancy and tax advantage

HANSON: A BIOGRAPHY
By Alex Brummer and Roger Cowe
Fourth Estate, £20, 315 pages

tage, and always known when to buy and when to sell companies to keep earnings per share and dividend income rising.

In addition, he has cultivated political friends, oiling relationships with generous party political donations. And in everything, the charismatic boss of the group which bears his name has employed his famous charm and temper.

In his 30-year rise from playboy to cut-throat capitalist, Lord Hanson has always been colourful. As an eligible bachelor, he enjoyed romances with Jean Simmons and Audrey Hepburn. In 1965, he teamed up with the flamboyant White to begin their great transatlantic takeover adventure.

The 1970s was a period of meandering disappointment. But with the 1980s and the arrival of Mrs Thatcher, Lord Hanson was delivered of "a government made for Hanson Trust just as Hanson Trust was made for the government".

The first doubts about Hanson's formula for success set in only after some ugly takeover tussles and the launch of a near-disastrous rights issue.

As the group expanded, the financial information needed to assess its real performance dwindled. A row over the pension fund at newly acquired Imperial Group was followed by a warning from the governor of the Bank of England to take its eyes off Midland Bank. Undaunted, Hanson paid more than £3bn for Consolidated Gold Fields and in 1990 considered buying PowerGen, the electricity generator, by private treaty.

Though Lord Hanson could have then departed with his reputation intact, his ambition to win bids and the respect of the establishment was not yet satisfied. With £7bn in the war chest, the group grabbed a share stake in ICI. But the arch wheeler-dealer, having initially failed to mention the deal to his board, had bitten off more than he could chew.

ICI outmanoeuvred him by targeting the company-fi-

nanced lifestyle of Lord White, who had always declined to sit on the UK main board, and his anomalous position as the chairman of the group's US business. Racehorses and Beverly Hills mansions grabbed the headlines and Hanson looked like a personal fiefdom. Its boss took consolation from a £42m share dealing profit.

Come the 1990s, the Hanson group was slow to appreciate the new disciplines expected of it in an age of good corporate governance. Efforts by Lord Hanson to restrict shareholders' powers at annual meetings ended in defeat, and in 1992 a former Hanson protégé, Greg Hutchings, chief executive of industrial conglomerate Tomkins, saw off Hanson's bid for food group REEM.

With Lords Hanson and White playing a less prominent role and the next generation of managers, such as David Clarke and Derek Bonham, in place, Hanson has been changing tack, presenting itself as a diverse industrial group dedicated to its core businesses.

The authors inevitably challenge the legacy of Hanson, which they paint as the sort of mega-business that is itself ripe for Hanson takeover treatment. They cite Hanson's already well-scrutinised tax and accounting skills as the principal keys to its progress and question claims of consistently excellent shareholder returns. Lords Hanson and White, they conclude, must have done some good but this was outweighed by allegiance to the cult of short-termism.

The alternative view is that Hanson has shaken up many of the complacent, corpulent companies in which it has shown an interest. They bucked up their ideas or they succumbed to a new management which made them efficient and profitable, either way helping UK plc improve its performance.

Whoever is right, few contemporary capitalists have had so much fun. The grammar school boy from Huddersfield, now 73 and due to step down in 1997, reckons no one will realise when he has retired: "I will be gone and nobody will notice." About as likely as Lord Hanson voting Labour.

Michael Cassell

So General Electric is going to buy Time Warner for more than \$15bn. That is, if it doesn't sell half of NBC to Time Warner instead - though of course Disney wants to buy the whole television network for \$50n. Whatever.

Then again, GE is also thinking of using that spare \$15bn to buy American Express. Or perhaps it will be content with ITT's financial services businesses. Or ITT might hand over these businesses to GE in part exchange for NBC.

These are just some of the rumours that have swirled around Wall Street in the past week (forcing GE, for one, into the unusual position of denying any interest in either Time Warner or American Express). And when the rumour mill is working flat out, it is a sure sign that the US takeover business is back in full swing.

It has been five years since this sort of takeover mania hit the US financial markets. This year, with more than \$220bn worth of deals announced in the first eight months, the tally could match even the record \$355bn of 1988. Why is it happening? And is it a Good Thing for companies' shareholders, workers and customers?

The pattern of takeover activity provides one answer to the question "why". Nearly two-thirds of the deals consummated since the beginning of last year have come in a handful of industries: pharmaceuticals and healthcare, entertainment and the media, telecommunications and financial services.

There are specific reasons why each of these sectors faces upheaval. The defence industry has been forced to consolidate by a halving of the US defence procurement budget since 1988. The healthcare sector is facing pressure from employers, who are resisting the continuing rise in insurance premiums for their workers. Producers and distributors of television programmes are being drawn together by the promise of new technology and by deregulation.

So is the outburst of multi-billion dollar deals across a number of industries just coincidence? Hardly. There are three underlying reasons why it is happening now.

First, all the financial planets are in alignment. Put simply, companies are in a better position to pay for acquisitions than they have been for some time. US corporate debt levels are down after the leveraged 1980s, and cashflow is stronger. According to the Commerce

Is the flurry of deals in the US good for shareholders and customers, asks Richard Waters

Take your partners in takeover tango

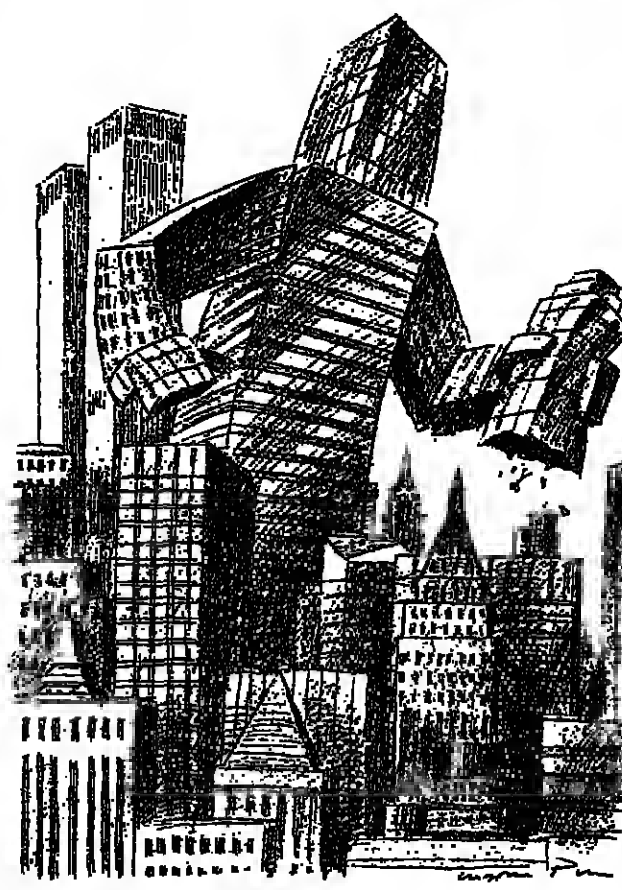
Department's census bureau, the average pre-tax return on equity for US manufacturing companies was an annualised 23 per cent in the second quarter, a level it had not reached since the middle of the 1980s. Also, borrowing is easy and cheap: US bond yields, though up sharply this year, are still as low as at any time in the 1980s, and banks are falling over themselves to lend.

At the same time, the stock market continues to bump along close to its all-time high. This gives companies a valuable takeover currency in the form of their own shares, which can be used in full or part consideration. Last year, just a third of takeover deals were all-cash, half the level of the late 1980s.

The second underlying factor is that, with the recession well behind them, company bosses have more time to consider expansion - and the takeover, once seen as the weapon of the asset stripper, greenmailer or corporate raider, has become respectable again.

Third, the political backdrop remains conducive to mergers and acquisitions. Despite some fears in business circles at the outset of the Clinton administration, the Justice Department has made little attempt to stem the flow of deals. In sectors such as defence and healthcare, mergers which reduce overall industry costs fit neatly with administration policy. And this week, after a long review, the anti-trust authorities cleared the \$11.5bn takeover of McGraw-Hill by AT&T, despite claims by rival telecommunication companies that the deal would turn AT&T back into the dominant industry giant it was before the enforced breakup.

But are the latest takeovers beneficial? For many US workers, the answer seems to be no. A large number of recent deals has been justified on the grounds of cost saving. In banking, for instance, the general rule of thumb for an acquirer is to cut the costs of its acquisition by 40 per cent. Service industries, in partic-



ular finance and healthcare, are experiencing some of the biggest job cuts. One effect has been for some companies to make cuts before becoming takeover fodder themselves.

For shareholders, this suggests that the picture is a healthy one. When making acquisitions, promises of lower costs are generally easier for managers to fulfil than promises of higher revenues from entering new markets.

"In most cases, these mergers make economic sense. It is good for us in general," says Mr Jose Arun, an investment analyst with the California Public Employees Retirement System (Calpers), which has \$27bn invested in US equities.

Like others, he draws a distinction between the 1980s - "the takeover artists, buying

companies for a quick buck" - and the deals of the 1990s. Some buyers are paying too much for their acquisitions, says Arun: Calpers voted during the summer against Mellon Bank's takeover of the Dreyfus mutual funds group, although the deal did ultimately succeed last month. But in general he insists the prices being paid are good for the shareholders of acquiring companies.

Companies are not just using economies of scale to justify acquisitions. Many are also arguing that takeovers will enhance their growth prospects, though some claim to do so to a degree of scepticism in the market.

In the media and entertainment industries, the flurry of activity is driven in part by the belief that more powerful

transmission mechanisms fostered by digital technology will lead to a sharp increase in the services available from television screens. But how much more will consumers be prepared to pay for such services - and will it justify the valuations now being put on media and entertainment properties?

For customers, meanwhile, the takeover wave poses an important long-term question: will the emergence of a smaller number of bigger companies in certain industries lead to higher prices or less choice?

Few of the current mergers or acquisitions are being justified on the grounds that they make the companies involved more competitive in world markets. Instead, they are all about increasing market power in the US.

To the extent that unit costs come down (and productivity rises) in industries such as healthcare or banking, it will be good for consumers. But at what point are the benefits of scale outweighed by the oligopolistic tendencies that can result from the dominance of the few? To judge by the Justice Department's lack of intervention so far, it does not yet fear the line is being crossed.

A related concern for consumers and anti-trust authorities arises from the fact that a number of recent deals in the pharmaceuticals and entertainment industries have been "vertical mergers" - that is, between producers and distributors. In the past year, three of the four biggest US drug distribution companies (known as pharmacy benefit managers) have been bought out by producers. The prospective deals between television production companies and broadcast or cable television networks follow a similar pattern.

One explanation is that technology is everywhere changing the relationship between producers and distributors. In financial services, for instance, banks and insurance companies are looking forward to the day when they can scrap many of their branches and rely on the information superhighway to plug them directly into their customers' television sets. Who will then control the distribution mechanism?

In the years ahead the Justice Department will need to review closely the questions about consumer choice raised by such developments. In the meantime, though, its relaxed attitude suggests that the Wall Street takeover party has a while left to run.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Powers for an effective Euro parliament

From Mr Bryan Cassidy MEP and others.

Sir, In your excellent editorial, "Agenda for Euro-reform" (September 20), you quite rightly questioned whether the 1996 intergovernmental (Maastricht revision) conference is the right occasion for an increase in the powers of the European parliament. The 1987 Single European Act increased the parliament's powers to amend Commission proposals - a power which on the whole has been sensibly used to improve a host of Single Market Directives.

As you point out, it is too

early to say whether the parliament will use its powers of veto under the Maastricht co-decision procedure equally sensibly.

We and some other European MPs have long argued that before the parliament is given more power it must demonstrate that it is using its existing powers constructively. Too many colleagues seem to believe that the parliament should be in alliance with the Commission "against" the Council of Ministers. It should not. Too many colleagues fail to put in an appearance at committees in Brussels or plen-

aries in Strasbourg. Absenteeism is an embarrassment. Too many colleagues (more than 50 per cent) are new to the parliament, so there is a lack of experience and continuity in the parliament's work. Only in the UK was it the will of the electorate which decided the changes. Elsewhere, it is the people who draw up party hats in smoke-filled rooms.

The debate on Europe has so far been generalised. It is time for specifics. Here are two:

The unelected Commission can adopt or reject the European parliament's amendments. This is a legislative

power which it should not have. A second, however, is that the parliament could be more effective if granted the power to dismiss individual Commissioners who do not perform adequately. The present power to dismiss the whole Commission is like the nuclear deterrent - never to be used.

Bryan Cassidy, Giles Chichester, John Corrie, Robert Sturdy, Edward McKillop-Scott, Graham Mather, *Members of the European parliament, 97-113 Rue Belliard, 1040 Brussels, Belgium*

NGOs: working to meet demands of the market

From Mr Rick Davies

Sir, For a newspaper which one expects to be championing the role of markets it is surprising to read Edward Mortimer's article, "NGOs rule OK" (September 21), criticising the role of non-governmental organisations in international affairs on the basis that their role as "do-gooders" is an unneeded one.

NGOs get their funds from two sources. First, from public fundraising activities. People in the UK and elsewhere are buying NGO services of their own free will. No need for elections, markets can operate in this area just as they can for other services.

However, like all markets, advertising may not always be honest or accurate. If there is concern about the role of NGOs then this is where investigative attention should focus.

The other source of funds, increasingly so, is from governments, as well as bilateral and multilateral institutions. The

international proliferation of NGOs over the last decade or so has given these institutions more and more choice as to which NGOs they fund - which, other things being equal, is surely a good thing.

Again, the main issue to focus on is the extent to which these institutions are buying quality services. Of course, quality is not always a simple matter to assess, with either business products or the services of NGOs.

Capitalism is without doubt an extremely creative process, but one not without its problems. It is perhaps a pleasant paradox that capitalism allows the emergence of organisational forms that can meet a market demand to address some of those problems.

Rick Davies, *Centre for Development Studies, University College of Swansea, Singleton Park, Swansea SP2 8PP*

Not all can have a choice

From Ms Lydia Nijhof

Sir, I enjoyed Giles MacDonogh's article, "Vegetarian food terrorism" (September 17/18).

Not long ago I was introduced to a couple of ladies who promptly informed me they were vegetarians. Their faces conveyed self-righteousness and even seemed to challenge me.

My comment was that they were very lucky to have a

choice. Having lived most of my life in what is known as the third world, I ate what was available or what I could afford.

There followed a dead silence and the subject was then dropped! Lydia Nijhof, *Albany Court, Robertson Terrace, Hastings, TN34 1JH*

India's economic progress merits support and praise

From Srichand P Hinduja

Sir, Your article "Not nearly radical enough" (September 19) misses the point by a mile. Stefan Wagstyl's conclusion that prime minister Narasimha Rao "seems to have lost his sense of urgency" is unfair and unhelpful. Unfair because Mr Rao of all people has been responsible for positive and dramatic changes in the Indian economy; unhelpful because the changes that are being effected need understanding and support, not sly criticism.

One of the main problems that "Commerce India" faces is a dearth of a constant power supply. For example, five years ago in West Bengal it was impossible to count on more than two consecutive hours of electricity, so poor was the system. Now, in Calcutta, if there is a power cut it is met with genuine annoyance rather than simple resignation. This improvement is due to the deregulation that has allowed the privately-controlled R P Goenka company to run the utility properly - a deregulation promulgated by Mr Rao.

Earlier this month we, through our Ashok Leyland subsidiary, together with

National Power of the UK, started laying the foundations of a £1.2bn, 1,000 megawatt coal-fired power station in Andhra Pradesh. Again, the support of the prime minister for this - and six other large power plant developments throughout India - is crucial in the country's progress towards a consistent and reliable supply of energy to run the shipyards, steel mills, refineries and fertiliser plants of the present and the future on an economic basis. And it is the country's response to a recent World Bank report that saw Indian industry working at only 50 per cent capacity because of ludicrously poor energy creation and supply.

The political and economic movement away from crushing and overweening state involvement hased heavily on the "licence-rat" will take time. I believe that Mr Rao and the people of India should be applauded and encouraged for their progress and not, dare I say, damned with faint praise. Srichand P Hinduja, *chairman, Hinduja Group, New Zealand House, 80 Haymarket, London SW1Y 4TE*

The privateer, Enterprise

From Mr R J Bird

Sir, I was fascinated to see Pearle in the US referred to as an "eyewear manufacturer" ("GrandMet acts to cut costs and sells US group for \$510m", September 20). Do pirates, gam-

blers and fops abound in the US, an aftermath perhaps of the aggressive enterprise culture? R J Bird, *50 Highbury, Jesmond, Newcastle upon Tyne NE2 3EA*

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We really do want to meet our obligations to the international community by helping nations in need. The problem is that our democratically elected representatives are not allowed into numerous international organizations. The Chinese communists claim they represent us and block our participation in the United Nations and other important international bodies.

The fact is, China has been divided into two separate political entities for more than four decades. Like Korea, both sides deserve recognition.

We call on the world community to give us a green light and allow us to meet our international obligations. We've been ready and willing for a long time now.

TODAY'S TAIWAN
REPUBLIC OF CHINA

FINANCIAL TIMES

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Thursday September 22 1994

Confusion in Haiti

US troops are on the ground in Haiti, and to the relief of all concerned, so far hardly a shot has been fired in anger. Less welcome is the confusion that exists over the terms of the accord brokered by former President Jimmy Carter which allowed the US forces to enter peacefully in the first place.

Will the Haitian military leaders who have apparently agreed to step down remain in the country? Will the exiled president, Jean-Bertrand Aristide, be able to return? What precise role are the US troops to play? All these questions remain unanswered.

Small wonder that the exiled leader has withheld his endorsement from the US intervention. He needs to be sure that the US does not abandon what would have been one of its objectives had it invaded: to purge and professionalise the police and armed forces. Unless the apparatus of intimidation and terror that was responsible for his exile is dismantled, Mr Aristide would not be able to govern even if he could return to his country. Once US troops were back home, he would once more be under threat of a military coup.

The deal brokered by Mr Carter specifies that "certain military officers" would enter "an early and honourable retirement when a general amnesty is voted into law by the Haitian parliament, or October 15 1994, whichever is earlier". For Mr Aristide, this is clearly too vague for comfort.

It was Lt Gen Raoul Cédras and his fellow generals, after all, who reneged on an earlier deal signed under UN auspices that would

have returned Mr Aristide to Haiti last October. Until the weekend, his junta was being held responsible for such dreadful human rights abuses that Mr Clinton came to the brink of ordering an invasion.

Now, days later, they are described by members of Mr Carter's negotiating team as honourable men and patriots. US troops are instructed to stand by while policemen attack pro-Aristide demonstrators in Port-au-Prince. Furthermore, the Haitian police is apparently now expected to disarm the Haitian army. And the army - until Sunday night the ostensible target of an American invasion - is guiding the US forces to their positions around the country.

All this may be the consequence of tactical decisions based on the changing circumstances of last weekend. Whether this is the case, or there has been a shift in US strategy, will only be clear over time.

In avoiding an invasion, Mr Clinton may have bought himself relief from his congressional critics. He has not, however, come any closer to resolving the fundamental problems that last week made an invasion seem inevitable. He needs now to hold firm to the objectives he set out in his speech last Thursday: ousting the military junta and creating circumstances that will permit the rapid and secure return to power of Mr Aristide. That will almost certainly mean the US forces taking a more active role than they have done so far.

Creating profit

The scene is familiar. A chief executive, standing at a podium in a hushed, darkened hall, gestures at the slide projections behind him showing the expected rise in profits from the company's latest takeover. Of course, reorganisation costs will be high, he warns.

The balance sheet to the next set of accounts does indeed show hefty writedowns, but as these costs bypass the profit and loss account, profits leap. In the never-never land of UK accounting, those techniques have given a company active on the acquisition trail an effortlessly rising stream of earnings. Until, as Coleridge and other corporate stars of the 1980s bear witness, reality intrudes. Typically, the acquisitions perform badly and cashflow collapses.

Today's publication of new rules on treatment of acquisitions and mergers by the Accounting Standards Board aims to reduce the room for such creativity in accounting. The rules, which greatly curb the use of provisions and writedowns, among other detailed measures, are likely to be successful in that aim.

In doing so, they will prevent some deals which could have occurred under past rules. Shareholders may well welcome this, as some of the grossest abuses of acquisition accounting have been highly expensive for them. Directors may not, where their pay is linked to earnings growth. It is harder to say, though, whether discouraging corporate enthusiasm for takeovers is economically beneficial or not. The 1980s take-

over scramble attracted much opprobrium, and many of those deals have so far proved disappointing. But that is partly due to recession: the longer-term returns remain unclear.

But while the revisions are welcome, it is worth sounding a note of caution. The rules have the virtues of consistency, but may make an unhelpfully crude distinction between capital and current spending.

The problem surfaces most clearly in the proposed new treatment of reorganisation costs, to which leading companies have strongly objected. Such costs, previously treated as part of the capital cost of the deal, must now be treated as an expense. The idea is to remove subjective considerations, such as whether these costs were foreseeable before the deal. Yet such factors are frequently relevant to the valuation of assets: directors assess the value of a target in the light of the "refurbishment" which needs to be done to realise its potential.

Those in pursuit of better accounting standards need to bear in mind how accounts are intended to be used, and by whom. The Accounting Standards Board has sometimes appeared to see itself on a quest for absolute truth. Its new rules are likely to succeed in making company accounts reflect more fairly the full cost of acquisitions. Shareholders and lenders may, however, find it as hard as in the past to use the values in the accounts to estimate future profits.

Hot air on Africa

In Cape Town in 1980 Harold Macmillan warned white South Africans of the "wind of change" sweeping through Africa. His words captured the mood of the continent at a critical moment.

Three disastrous decades later, ravaged by mismanagement and misfortune, Africa is once again at a watershed, beset by problems which can only be overcome with external help. Once again this week a British prime minister, leader of a nation with unrivalled historical and commercial links throughout the continent, stood before the South African parliament, now at last multiracial. He was marvelously placed to launch the fresh international initiative Africa so badly needs. Instead he delivered little more than hot air.

Had he risen to the occasion, John Major would have begun by making clear the depth of Africa's crisis. Instead, he neglected the fact that most Africans are getting poorer, and took comfort from economic and political reforms under way which have yet to launch a sustained recovery.

Having spelt out the gravity of the situation, the prime minister could then have set out an agenda for action. Instead of countering himself with a brief self-congratulatory reference to the Trinidad terms on government-to-government debt, he could have acknowledged the need for radical action in this area, including relief for countries such as Uganda which are hobbled with debt service payments to multilateral institutions. Also on his agenda should have

been the need for better co-ordinated aid programmes, with a lower proportion of tied aid, a higher proportion allocated to social services, and new conditionalities including ceilings on military spending. He might also have done more to spell out the circumstances in which humanitarian obligations to avert genocide and relieve starvation must take precedence over state sovereignty, and should not have avoided addressing the damaging dispute between the World Bank and other development agencies over the merits of structural adjustment.

As it was, Mr Major's only substantial proposal was a call for "preventive diplomacy" with regional peacekeeping units, which will be pursued at the UN. As Mr Major said, energies have been consumed in trying to limit trouble after it has started. It would be far better and less costly to preempt it.

Would that Britain were prepared to apply this precept in Nigeria, Africa's most populous nation, and second biggest economy, is heading for disaster. Yet despite close ties, no foreign office minister has visited Nigeria this year, whereas Baroness Chalker has been twice to Rwanda. And while refusing visas to members of the Nigerian regime, the UK has not suspended a contract to equip its army with British tanks. Mr Macmillan's words resonated around the world and have entered the history books. Mr Major's are unlikely to make even a footnote.

If problems could be cured by conferences, unemployment in the older industrialised countries would be well on the way to solution.

At one recent gathering, organised by the Kansas Federal Reserve at Jackson Hole, Paul Krugman of Harvard University set out to extract a core consensus on the subject. He starts from the well-known phenomenon that, while US unemployment has been rising and falling with the business cycle, there has been no change of trend since the mid-1970s. European unemployment has, on the other hand, soared and remained at 8 per cent even in buoyant periods when the economic brakes had to be put on to prevent inflation accelerating.

The US has, alas, had its own problem: a widening of pay differentials associated with any kind of "trickle down" but with an absolute drop in remuneration at the bottom of the pay scale. The Krugman diagnosis is that the same process which has expressed itself in high unemployment in Europe has emerged in poverty at work in the US.

The demand for unskilled or less favoured workers has fallen everywhere in relation to better trained or more fortunate workers. In the US the strain has been taken by pay rates. In Europe the welfare state has prevented a similar widening of differentials and, instead, the strain is taken by unemployment.

The resulting non-idyllic nature of the US labour market was vividly described by the noted US specialist Richard Freeman, at another symposium in Salzburg organised by the Egon Sohmen Foundation. He would link it with the fact that the proportion of young US males in jail, on parole or probation, rose from 4 per cent to 11 per cent in only 13 years (1980-93); among young blacks the rise was from 11 per cent to 25 per cent.

In Europe there are two ways in which prevailing institutions can worsen unemployment. There is the effect on incentives. High social security taxes add to the cost of employing workers or subtract from their take-home pay while "social" benefits provide a floor or reservation wage below which actual wages cannot be dragged without people being better off not working.

The other way concerns not so much the welfare state itself as collectivist institutions which price workers out of jobs. There are, for instance, minimum pay provisions and restrictions on the extent to which employers can differentiate between workers of different age and experience according to the value of their skill.

Then there are collective agreements between employers and unions which price the unlucky out of jobs. Indeed it is difficult in Germany for employers and workers to opt out of such agreements even if both are willing to do so in high unemployment regions. There are also restrictions on the hours and flexibility of work which have a similar effect in raising the effective costs of hiring labour.

These two kinds of influences shade into each other. But it does make a difference where one puts the emphasis. If the main part of the problem is the lack of work incentives, then unemployment is to some extent voluntary and need to reduce the jobless percentage is a matter of getting the tax and transfer burden on those at work, or of reducing the adverse social effects of idleness. If, on the other hand, pricing-out-of-work laws and practices are the main culprits then the unemployed are themselves the principal "outside" victims of the "insiders" who have made the agreements and the rules.

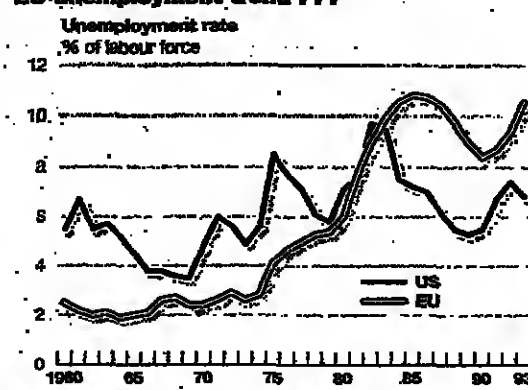
In continental Europe the emphasis should be at least as much on collectivism as on incentives. I would also put more emphasis than is fashionable among economists on the role played by moralistic or traditional objections to undercutting. I am sometimes asked what would happen if another journalist offered to join the staff to write Economic Viewpoint for much less pay. It would be an interesting experiment. The central theme, however, is

ECONOMIC VIEWPOINT

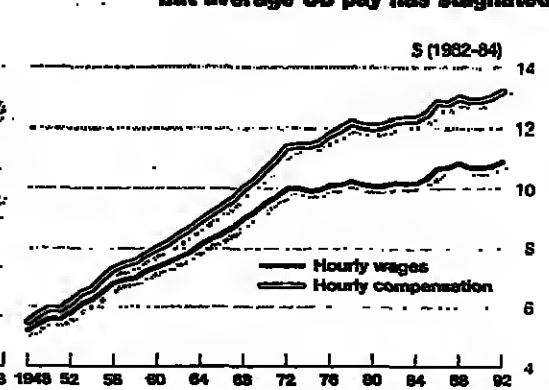
Pay and jobs in a global economy

By Samuel Brittan

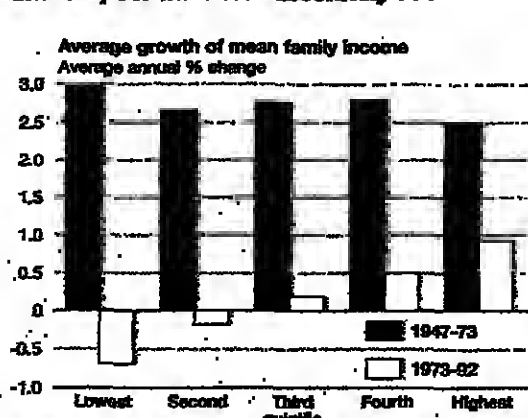
The US has escaped the rising EU unemployment trend ...



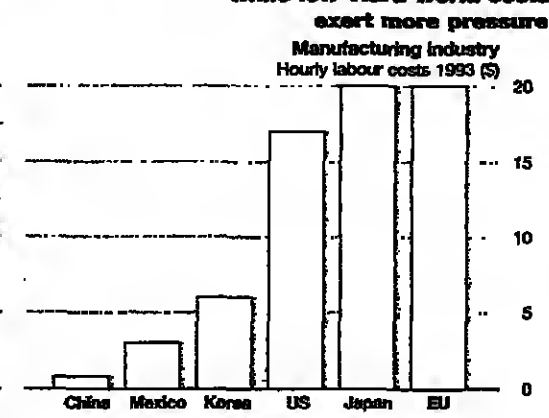
but average US pay has stagnated



and US poor have lost absolutely ...



while low Third World costs exert more pressure



that neither the welfare state nor collective procedures for setting pay would on their own have been enough to generate the European unemployment explosion. The welfare state is probably not on average more generous than 20 years ago. Nor are pricing-out-of-work arrangements more strict. The important point has been the interaction of European practices with a sharp widening of the pay relativities which would prevail if the labour market were left to itself.

Is it possible to square the circle and combine the benefits of a European welfare state with an American-style flexible labour market?

Can we combine the benefits of a European welfare state with a US-style flexible labour market?

The upbeat answer is to call for more education and training, so that workers near the bottom of the income scale acquire more of the capacities of the ones at the top.

It is to Krugman's credit that he steers clear of this industrial correctness. He rightly queries how much of the wider spread in equilibrium pay rates is due to formal education. Differentials among people of similar educational qualifications have increased at least as much as differentials between people of different qualifications. He also adds that Americans who hold up the superior performance of France and Germany in teaching basic literacy and numeracy fail to notice that the results have not translated into lower unemployment.

Shrinking the welfare state is at the other extreme - the hard-nosed approach. This would have many very harsh effects. Not only would

benefits be less for those still unemployed; but there would be a shake-down in pay rates for those who have always had jobs near the bottom of the scale.

One approach, which has been powerfully argued by Edmund Phelps of Columbia is that of an employer subsidy to take on unskilled workers. This would be expensive and would have to be very tightly policed to prevent abuse; there would, for instance, have to be a sliding scale for borderline workers. Moreover, because of differing family circumstances the net redistribution of income implicit in such a scheme would be badly targeted.

The still distant ideal would be of a basic income paid to everyone to provide a floor, on top of which market earnings would be added. To say that this would be prohibitively expensive is partly a matter of tax illusion. The real drawbacks are that there could be a large incentive to voluntary unemployment or underemployment for those prepared to make do with the basic income; and much of the benefits would still go to those higher up the income scale needing it least.

The best present compromise would be a negative income tax which would differ from a basic income in being conditional on work search attempts and in being withdrawn at a much higher rate than the basic rate of income tax.

Indeed an embryonic British system of this kind exists in the form of family credits for households with breadwinners on low incomes. This could be sharply distinguished from that of populist opponents of the Gatt accord, who do not understand that countries of very different income levels can profitably trade with each other. If trade is freed between two groups, North and South, the presumption is that both sides benefit, although not necessarily everyone in both groups. The suggestion, rather, is that in

problem of the Krugman consensus is that the reason labour market relativities should have changed so much is left hanging in mid-air.

The conventional explanation - of technology driving out unskilled workers - is unconvincing. For pay differentials within every skill and educational category have risen quite as much as differentials between them. And as Krugman remarks "the time could well come when most tax lawyers are replaced with expert systems, but human beings are still needed for such truly difficult occupations as gardening and house cleaning".

The most controversial explanation

Classical economists have always accepted that land as pure space is a suitable object for special taxation

tion centres on competition from low-wage workers in the developing - and more recently the former communist - countries in a liberalised global economy. This was suggested by Douglas McWilliams of the London Centre for Economics and Business Research in a couple of lectures last year. It has since been most fully developed in a book by Adrian Wood, *North South Trade, Employment and Inequality* (Clarendon Press, Oxford).

The respectable form of this thesis must be sharply distinguished from that of populist opponents of the Gatt accord, who do not understand that countries of very different income levels can profitably trade with each other. If trade is freed between two groups, North and South, the presumption is that both sides benefit, although not necessarily everyone in both groups. The suggestion, rather, is that in

the North unskilled or semi-skilled workers, whose tasks can be equally well carried out by workers elsewhere at much lower wages, will lose out. The problem then becomes one not of "unfair" trade, as the Clinton administration seems to think, but of income distribution within the North.

Many orthodox trade experts reject this diagnosis, although a new analysis by Jeffrey Sachs and H J Shatzkin in the latest *Brookings Papers* gives it partial support. But the real point is that the globalisation of the world economy is a term to which Krugman strongly objects could easily throw up such problems in the future even if it has not done so already.

Indeed, it is possible to bypass the complexities of international trade theory by looking at the world as a single economy. In such an economy not only goods but capital is mobile - physical as well as financial capital. It only takes a few years to put up a new plant anywhere where the local political environment is favourable.

In such a world, as Patrick Minford eloquently maintained at Salzburg, pay differentials among workers of comparable skill will tend to be reduced, if not eliminated, by owners of capital seeking the best return, and able to introduce best-practice technology wherever they go. This will be so even if labour itself remains relatively immobile between countries or areas. If this were to happen the conditions of the workers of the world would indeed tend to be equalised - at least among those of comparable skills - but by means very different from those that the early socialists envisaged.

What are the main snags in this equalisation scenario? Why did nothing like this happen before 1914 when there was, indeed, a single world economy and many such fears were expressed by European and American protectionists? The big difference is that literacy has become very widespread in the third world in the last 40 years - which it was not in Queen Victoria's time.

Looking ahead, the most under-discussed problem is: what will happen to wage rates in the emerging countries? On productivity grounds they should rise towards those of the west, thus tackling the problem in the best possible way. This is a reasonable hope for a country like the Czech Republic, where the skills, capital and entrepreneurship for near full employment already exist and where people have agreed to a sharp, but they hope temporary, sacrifice to repair the ravages of totalitarian rule. Matters are very different in China, where there are said to be 200m workers surplus to farm needs who could presumably be enticed into the cities at wage rates only marginally above subsistence.

But the final ray of hope which I would like to point to takes us back to the more prosperous north. If the liberalisation of the world economy is going to make northern countries richer, but make many industrial or clerical workers within them worse off, then who will gain the difference? For a time it may be the owners of capital - a forecast is visible in the worldwide rise in long-term real interest rates. But capital will be eventually affected by the tendency of funds available for investment to increase to meet new opportunities.

One is then left with the conclusion that much of the gain will go to owners of land, who outside the rural shires are hard to distinguish from owners of capital. Classical economists, right down to supposedly extreme free marketeers like Friedrich Hayek, have always accepted that land in the shape of pure space is a suitable object for redistributive taxation. But they despaired about being able to separate in practice the return from owning land on the one hand, from the yield to the capital and ingenuity spent on improving it, on the other. The effort to distinguish it may still have to be made.

OBSERVER

Clubbable and bankable?

The Gresham Club, tucked away in Abchurch Lane in the heart of the City, used to be an excellent place for an afternoon nap. But the price of sandwiches on toast was raised to 6d, and things still relentlessly downhill thereafter.

Today, after a £5m-odd makeover, the seven-story Grade II listed building reopens as the London Capital Club - a very different sort of establishment indeed. It admits women and foreigners; it allows, nay encourages, the conduct of business within its hallowed portals; and promises to serve up-market grub. It even has a boardroom members can hire out - marked Boardroom in big gold letters on the door.

Owned by the affable German-born Dieter Klostermann, it is the first European addition to his network of Asian clubs. The £1,250 "entrance" fee is a snip, compared at least with the affiliated City Club in Tokyo, which will set you back some ¥4m (£25,000) to join. So far 500 souls have signed up. The unstuffy but recognisably "British" club is a formula that has worked well in the Far East. Klostermann's CCA Group is currently pulling in £70m in annual revenues from its 33,000 members. Klostermann's tilt at Clubland in its own backyard, meanwhile, will probably be admired and scorned in

equal measure. What he principally needs is for his joint to be patronised.

Light reading

Calling all insomniacs, Michael Portillo, who as UK employment secretary is widely regarded as the rightwing pretender to John Major's crown, is bringing out a booklet of his speeches and interviews.

The aim is to establish clear blue water between the Tories and Labour. As such it must be judged a qualified success, for what the work principally seems to highlight is a veritable ocean between Portillo and Major - with the cabinet minister ruling out the single European currency and so on.

We are promised that "these are by no means the last words from Michael Portillo". No wonder John Major prefers a game of cricket in South Africa when his own cabinet is still bowling him such googlies.

Whipping boy

Watch out for John Prescott, who may shortly be enjoying a bit of extra influence in Tony Blair's new-look Labour party.

Derek Foster, the opposition party's current chief whip, has been *in situ* for nine years, during which time he has seen off some tough contenders for his post. But he could finally have met his match in Richard Caborn, one of the



pugnacious deputy leader's closest political allies who has emerged as a challenger for what is the party's most important Mr First job.

Caborn, who ran Prescott's successful campaign for the deputy leadership earlier this year, belongs to Labour's "traditionalist" faction. He has made a considerable impression in the past two years as a strong chairman of the Commons trade and industry committee, presiding over inquiries into political hot potatoes such as the coal industry and the future of the Post Office.

Blair, whose Sedgefield constituency is in Foster's neck of the woods, has in effect backed the

incumbent by indicating that he does not favour a contest. But, with at least two more runners expected to surface before nominations close next month, the race is shaping into a far more interesting contest than the tepid campaign leading to Blair's runaway victory in July.

Cloudy

A price can be placed on more or less anything in this cost-conscious age. Not to be outdone is the Met Office, which has proudly come up with the fact that its weather forecasts save the UK nearly £1bn a year. Chief beneficiaries are apparently transport (£251m) and construction (£107m).

Sadly, the method by which the Met-sponsored survey managed to arrive at such accurate numbers has not been disclosed. Nor is there any mention of the cost of inaccurate predictions.

The Met's own service costs £38m per year to run, by the way, which either means it is a bargain - or that officials are massively undercharging for this immensely valuable service.

Not so capital

Why would an outfit as canny as the Royal Bank of Scotland effectively give away its Capital House investment management operation *gratis*, and then shell out £28m for a one-third stake in a new

organisation? Out of a sense of relief, it would seem.

The beneficiary of this recent largesse, Newton Management, is one of the best in the business. Its average pension fund client last year earned a total return of 37.4 per cent, 8.2 percentage points above the industry average. Contrast Capital House, whose sole institutional client is the RBS pension scheme, and which languishes in the bottom 10 per cent of all pension fund managers on the basis of its performance over the past three years.

In June of last year, trustees to the Charterhouse pension schemes - Charterhouse then still being in the RBS stable before the September sale of 90 per cent of the bank to a Franco-German consortium - quietly sacked Capital House and transferred its loyalties to Mercury Asset Management.

No idea

The effervescent Janet Street-Porter is leaving the BBC, where she has been head of independent television production in the entertainment field, to join the Mirror Group, where she will be managing director of a new cable network. "I regret leaving a place where ideas are paramount," she said yesterday. The very idea that ideas may not be paramount to her new employer seems to be one worth pursuing...

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IN BRIEF

Lehman barely breaks even

Lehman Brothers barely broke even in the three months to the end of August, managing a return on capital of just 1.6 per cent, according to the first results from the US investment bank since being spun off from American Express.

The latest figures come a month ahead of other US investment banks' results and point to generally weak profits and more cost-cutting on Wall Street. Page 16

Canal Plus cautious at full-year
Shares in Canal Plus, the French media and pay-TV company, fell sharply yesterday, following a fall in first half profits and a warning on full year results. Page 16

Eni profits fall in first half
Difficult financial markets and reduced commission on investment activities took their toll on first-half profits at Istituto Mobiliare Italiano, the Italian banking group partly privatised earlier this year. Page 16

Eni Lilly expects to beat targets
Eni Lilly, the US drugs group, yesterday indicated its third-quarter earnings would be ahead of most analysts' expectations, due largely to stronger-than-expected sales of Prozac, the anti-depressant which is its biggest-selling product. Page 18

Mexican merger in doubt
Grupo Financiero Serfin and Grupo Financiero Inverlat, Mexico's third- and fourth-largest financial groups, are on the verge of calling off their proposed merger after failing to reach agreement on the valuation of the two institutions. Page 18

Japan's brokers lower forecasts
Sluggish trading volume on the Tokyo stock market has led to Japan's "big four" brokers - Nomura, Daiwa, Nikko and Yamaichi - and 10 second-tier brokers revising downwards their interim earnings forecasts for the six months to September. Page 19

Passenger loads help Qantas turn around
Qantas, the government-controlled Australian airline, unveiled much improved full-year profits of A\$155.9m (US\$116m), against a loss last time, thanks to increased passenger loads. Page 19

Laporte gains with better trading
Laporte, the UK specialty chemicals group that acquired Evode last January, increased pre-tax profits by 14 per cent at the interim. Mr Ken Minton, chief executive, said that the group had experienced "modest" improvements in trading conditions in many of its major markets. Page 21

Arjo averts fears of large rights issue
Shares in Arjo Wiggins Applanter rose by 12p to 265p yesterday after the Anglo-French paper group denied that it would bid for SD Warren, owner of four big US paper mills. Page 21

Aerostructures shares dive
Shares in Aerostructures Hainle, the former British Aerospace aircraft components subsidiary, nosedived yesterday after a trading statement warned of difficulties with several contracts. Page 23

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Chief price changes yesterday		
FRANKFURT (DM)		
Rhein	475	+ 8
Deutsche	720	+ 15
Porsche	831	+ 39
Adia	602.5	+ 14.5
Nestle	591	+ 11
Basel	288.5	+ 9.5
NEW YORK (\$)		
IBM	234	+ 34
Apple	54	+ 14
Microsoft	89	+ 14
Oracle	24	+ 24
Novell	19	+ 19
Lotus	614	+ 14
PARIS (FFr)		
Renault	72	+ 5
Alcatel	88	+ 4
Sanofi	37	+ 12
Unilever	252	+ 7
Novartis	120	+ 21
Roche	813	+ 19
Novartis	229	+ 15
Novartis	252	+ 15
Novartis	73	+ 50

LONDON (Pence)		
British Aerospace	445	- 29
Arjo Wiggins	265	- 11
Atwoods	445	- 11
BCC	235	- 30
Barrett Developments	143	- 33
Borden	228	- 18
Bovis Lend Lease	88	- 17
Bright Horizons	118	- 9
Bristol-Myers Squibb	178	- 42
British Steel	84	- 5

Christopher Parkes sees RWE Energie join a corporate stampede to the infobahn

Jostling for position in German telecoms race

Convinced that they have heard the bell for the last lap, front-runners among Germany's private telecommunications companies are dashing to qualify for entry to Europe's "information superhighway" stakes.

The mixed bunch of power suppliers, engineers and bankers have put on a sprint since Mr Wolfgang Bötsch, post office minister, announced 10 days ago that he had changed his mind and was now "inclined" to allow free competition in the German telecoms network from January 1, 1998 rather than the end of the decade.

RWE Energie attempted to nose ahead yesterday with a premature announcement that it was in "promising" negotiations to take over Preussag's telecommunications business, Mobilfunk. But as Preussag was quick to point out, RWE was only one of several domestic and international network operators discussing a possible tie-up. Mobilfunk, which runs the Europe-wide AsstraTalkline mobile telephone service, is expected to show its first profit this year on sales of DM400m (\$258m).

RWE's announcement was a response to Veba's tactical stroke earlier this week when the energy-based conglomerate revealed that its network of 5,600km of copper cable and optical links over its 2,000km of electricity distribution lines, was to be augmented by access to the federal railways' vast trackside and signalling system.

At the same time, Veba agreed to invest \$40m in the Iridium communications satellite consortium in return for exclusive rights to market its services in much of northern and western Europe.

As none of Iridium's planned 66 satellites has been launched yet, and the deal with Deutsche Bundesbahn still has to be awarded the necessary operating

licence, Veba's announcement might be a little premature. Nevertheless, the events sparked by Mr Bötsch's statement on deregulation highlight both the speed at which Germany's private sector communications industry is developing and the direction it is taking.

The industry started to take shape in 1990, when Mannesmann, heading a consortium including British Cable & Wireless and Pacific Telesis of the US, was awarded a licence to operate the country's first private mobile telephone service, D2, in competition with Deutsche Telekom's D1. Critics looked askance as Mannesmann, better known for its "old technology" products - steel pipes, car components and industrial plant - moved uncertainly into unknown territory. Yet more questions were asked as set-up costs mounted and delays set in. However, since the first handset was delivered, albeit late, in mid-1992, estimations have rocketed.

Mannesmann's communications business, which contributed just 3 per cent to group sales last year, is now forecast to yield up to half group profits in 1997.

In the interim, Mannesmann has been deepening its involvement in the sector and positioning itself to take advantage of future deregulation. Its newly-established Eurokom subsidiary, which bundles together an assortment of domestic and foreign stakes, owns half of a new joint venture with RWE

and Deutsche Bank in which the three concerns have pooled their internal services. They are now preparing to open their lines to corporate clients for data, voice and image transmission - in a domestic segment estimated to be worth DM20bn a year - and waiting to offer services up to a wider international public.

RWE is involved in several other ventures specialising in corporate services. It made an important advance in May, when, as a leader of a data transmission consortium it beat the Viag group in a bid for a licence allowing the first private sector challenge to Telekom's Modacom.

Until yesterday, when it revealed its hand in its negotiations with Preussag, its expectations of achieving DM500m sales in five years had been conditioned by its highly-conservative assessments of prospects in the corporate sector. With its internal network, the second most extensive after Deut-

sche Bahn's, it has now emerged as a clear contender for a place among the leaders.

Mr Ulrich Hartmann, chairman of Veba, outlined his claim to a pole position in April when he declared telecoms was to be the group's fifth leg, augmenting its solid, slow-growing activities such as power, oil, chemicals and trading.

The group started laying optical fibres along the power lines of its PreussenElektra subsidiary in the late 1980s, but the pace has increased steadily in the past two years with an accumulation of stakes which have taken it into the mobile phone business in Germany and France, corporate networks and services and Swiss cable television.

Veba has now revealed the scale of its ambition. According to Mr Hartmann, the group will invest DM6bn in telecoms over the next decade. Turnover from the sector will grow from a mere DM140m this year to DM8bn by 2003.

Deutsche Telekom, facing private competitors who claim they can win 40 per cent of its business, can be counted on to continue appealing for more time to brace itself for the onslaught, but Mr Bötsch has made his preferences plain.

The sooner the nascent private telecoms industry is given scope to grow and mature on its home ground, the greater its chances of building up muscle and speed to compete effectively in the fast-track global market.

Underlying pre-tax profits treble to £90m at UK defence and commercial aircraft group

Cash flows out of BAe despite Rover disposal

By Bernard Gray in London

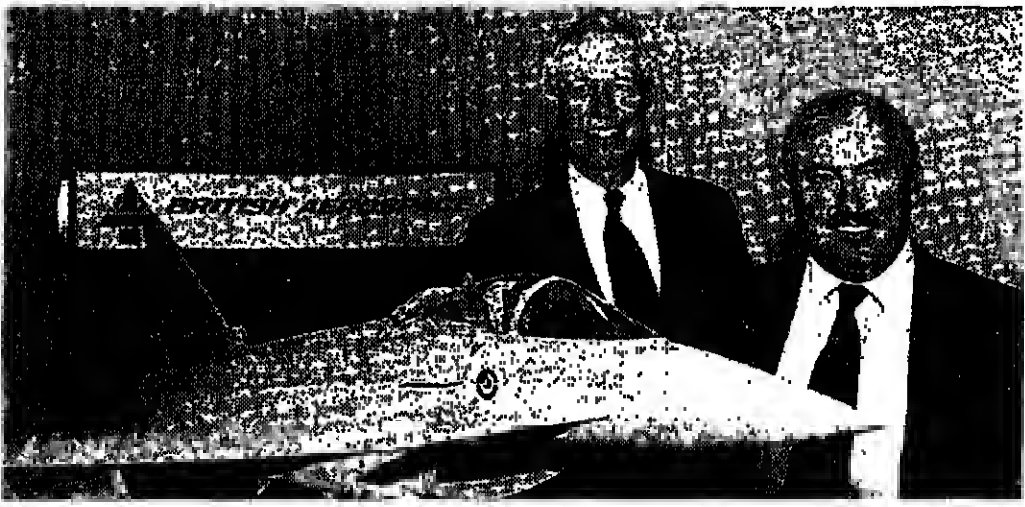
Underlying profits at British Aerospace trebled from £28m to £90m (£141m) in the six months to June 30, but BAe shares fell 26p to 445p when the market learned that the company saw a first-half cash outflow despite the £800m sale of Rover to BMW. Operating profits in defence of £221m, against £230m, were offset by an increased loss of £75m (£76m) on commercial sales. The sale of Rover generated an exceptional profit of £290m. However, exceptional losses of £18m on adjustment to the sale of BAe's corporate jet division to Raytheon, £30m on the early repayment of expensive debt, and £14m to top up the value of lease provisions cut the total exceptional profit to £239m.

Total pre-tax profits were £329m, and the interim dividend was lifted from 3.3p to 4p.

BAe's borrowings rose as working capital requirements increased and it converted £220m of guarantees to associate company Hutchinson Telecom into a direct loan. Operating cash outflow was £115m in the first half.

Mr Richard Laphorne, BAe's finance director, said the underlying trend in cash flow was healthy. "While the erratic timing of large cash payments can distort the figures," he added, "over time, cash flow from defence businesses will more than offset any losses in commercial aircraft."

Losses at the turbo-prop aircraft division, based in Prestwick, Scotland were particularly heavy. BAe's chief executive, Mr



Earning their wings: Bob Bauman, chairman, with Dick Evans, chief executive, and a model Eurofighter

Dick Evans, said conditions in the regional aircraft market remained extremely difficult.

He said BAe had almost halved its cost base in these areas to remain competitive, and that losses at the RJ regional jet business were much lower, while work on Airbus moved further into profit in the first half. BAe is continuing to negotiate with

potential joint venture partners over the future of the regional jet and turboprop businesses.

The order book in the central defence business is now £3.5bn, only slightly lower than the record figure of £3.8bn last year. With substantial additional work on the final production phase of the Eurofighter 2000 due to be agreed in a year's time, one ana-

lyst said: "BAe has the strongest defence order book of any company in the world." Production of the 48 Tornado aircraft for Saudi Arabia has already started and first deliveries are due at the end of 1995. Prospects for Hawk advanced trainer/light fighter sales are also good. Lex, Page 14; Aerostructures dives after warning, Page 23

David Buchan finds that the bad times are not over yet

Crédit Lyonnais to swallow another dose of provisions

There is still light at the end of the tunnel for Crédit Lyonnais, Mr Jean Peyrelevade believes, but the tunnel is proving longer than he thought when he took over as chairman of the state-controlled bank nearly a year ago.

Crédit Lyonnais will today announce a hefty first-half net loss after provisions. Last year the bank reported a full year loss of FF7.6bn (\$1.3bn). In the first six months of 1994, Crédit Lyonnais suffered from a decline in demand for loans by France's cash-rich companies and saw profits fall from trading on depressed capital markets. Crédit Lyonnais still reckons it must maintain a high level of provisions all this year to clean up its messy past.

One result is an inevitable delay to the further capital increase that Crédit Lyonnais needs. It already received FF4.9bn in July from the state, the state-owned Thomson electronics group and the Caisse des Dépôts bank.

Committed to public spending rigour, the Balladur government has no means to buttress the bank's capital any further, and has told Crédit Lyonnais that it can tap the stock market any time before the full privatisation expected in the late 1990s. But the bank realises it has no chance of attracting investors until next year, when it hopes for strong expansion in the French economy and a turnaround in its own finances.

Provisions against bad risks and loans are the main millstone around Crédit Lyonnais' neck. Last year, Mr Peyrelevade set aside a total of FF17.6bn, just over half of which was considered normal provisions on "current" banking business. The rest was "exceptional" measures to compensate for precautions taken by the previous regime of Mr Jean-Yves Haberer should have taken, particularly in non-traditional banking activities such as investments in industry,

property development and in cinema. Both categories of provision will remain high this year. The bank says this is mainly because branch managers have decided to take advantage of the "big sweep-out" to make a clean breast of all past problems.

The French Treasury has not been totally enthusiastic about continued high provisions, wiping out hope of any dividend for the state and highlighting questions over how it let Crédit Lyonnais get into such bad shape originally. But after a parliamentary inquiry's critical conclusions about their competence, or lack of it, the Treasury has been ill-placed to oppose Mr Peyrelevade's stringency.

This stringency has uncovered further problems, and need for provisions, in the group's Althaus and Société de Banque Occidentale (SBO) subsidiaries. It was the boast of the high-rolling Mr Jean-François Henin that when he ran Althaus from 1990-93 he multiplied its balance sheet many times but never increased its staff. The upshot was a chaotic back office, out of which dubious dossiers are emerging. SBO was the vehicle for loans to Mr Bernard Tapie. After the fuss it made mortgaging and

eventually seizing the politician-tycoon's valuables, Crédit Lyonnais has discovered that his art and furniture are worth perhaps a tenth of the FF735m it was counting on.

The one shaft of light penetrating the tunnel is that growth in the group's operating costs and depreciation which was 4.1 per cent last year has been kept close to zero this year. Mr Peyrelevade froze his own salary and those of his top two dozen lieutenants, and is cutting 1,100 banking jobs in France and a further 800 in Europe over the current year. This is part of the two-pronged strategy to:

- Improve profitability and efficiency in the core banking business. Measures already announced include closure of some UK retail branches, to focus more on corporate banking and market trading there, and new centralised management of European banking and foreign exchange trading worldwide.
- Sell FF20bn worth of non-core industrial participations in 1994-95. So far FF16bn worth of assets have been sold including stakes in the Fnac record and book chain, the UAF life insurance company, the Essilor spectacle lens company, and the TFI television station. Crédit Lyonnais is said to want to sell its 10 per cent stake in the Mérieux hotel chain to Forte, the UK group which is buying control of Mérieux from Air France.

Even though the eventual plan is for Crédit Lyonnais to keep some FF30bn worth of industrial holdings, for the moment "anything that is outside banking is, in principle, sellable," says one bank executive.

Return to profit at Eni opens options on state sale

By Robert Graham in Rome

A strong return to profit by Eni, the Italian state oil concern, has opened the way for the Berlusconi government to look afresh on the various options for privatisation.

Mr Franco Bernabe, Eni chief executive, told parliament yesterday the group was leading for a £2,000bn (\$1.28bn) net profit in 1994 with the bulk of costly restructuring of loss-making sectors such as chemicals nearly complete.

He said this improved performance allowed the government to opt for two separate paths in privatisation. ● A company could be formed grouping all the interests with those still controlled by Eni; or ● The group could be split into three - energy, chemicals, and other activities - that would be owned directly by the state.

The government has been sitting on earlier proposals put forward by Mr Bernabe which were in line with guidelines laid down by the previous Amato and Ciampi governments.

These envisaged the creation of a "super-Agip" centred on the core of the group, Agip, the producer of oil and gas.

Based on its annual turnover of £50,000bn, Eni is the sixth largest oil group in the world.

Mr Bernabe appears determined to force the government into deciding a clear policy for the group. However, the government is far from united with the neo-fascist MSI/National Alliance resisting large-scale privatisation.

On Eni's performance, the improved profit projection against a mere £419m in 1993 was attributed in part to extraordinary income from continuing divestments.

Through August, Eni had raised £1,776bn from 60 new asset sales. The burden on the consolidated balance sheet continues to come, at least for this year, from the chemicals side which lost £2,600bn in 1993 and which accounts for only 15 per cent of turnover.

Mr Bernabe said that if Eni's energy interests were hived off, it could remain in charge of running the privatisation of the other activities. But he clearly outlined his preference by pointing to the creation of strong state-dominated energy holdings with private stakes like Spain's creation of Repsol from INH.

This announcement appears as a matter of record only.

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INTERNATIONAL COMPANIES AND FINANCE

Lehman Brothers barely breaks even in quarter

By Richard Waters
in New York

Lehman Brothers barely broke even in the three months to the end of August, managing a return on capital of just 1.6 per cent, according to the first results from the US investment bank since being spun off from American Express.

The latest figures come a month ahead of other US investment banks' results and point to generally weak profits and more cost-cutting on Wall Street.

The Lehman figures reflect a fall-off in activity in many areas of the financial markets due to the volatility of recent months, according to Mr Richard Fuld, chairman and chief

executive. Uncertainties about interest rates and concerns about inflation "continued to dampen the activities of both issuers [of securities] and investors," he said.

Lehman is also labouring with a higher cost base than many of its rivals, and continued yesterday to point to cost-cutting as a way of improving profitability. Since the beginning of the year, staff numbers have fallen by about 775, to some 8,825, with 300 of the jobs cuts coming in recent days.

During the latest quarter, revenues were lower across the board compared with the third quarter a year ago, which ended on September 30 1993. Revenues from principal trading fell 24 per cent to \$355m,

while investment banking revenues slipped 8 per cent to \$172m, net interest and dividend income fell 23 per cent to \$83m and commission income was down 10 per cent to \$113m.

If current market conditions continue to the end of the year, bonuses paid to Lehman employees are expected on average to be 30-40 per cent lower than in 1993.

Overall, the bank reported post-tax income of \$22m on revenues after interest costs of \$719m, compared with \$112m on revenues of \$883m earned on the same businesses the year before. Earnings per share were 10 cents, compared with 36 cents on all Lehman businesses including some later sold the year before.

Imi profits fall to L208bn in first half

By Andrew Hill in Milan

Difficult financial markets and reduced commission on investment activities took their toll on first-half profits at Istituto Mobiliare Italiano, the Italian banking group partly privatised earlier this year.

Consolidated profit fell to L208bn (\$133m) in the six months to June 30, after tax and provisions of L327bn, against L283bn in what Imi described yesterday as an "exceptionally favourable" first half last year. The group pointed out, however, that profit was in line with the second half of 1993. Imi's board indicated yesterday that the company was likely to pay an unchanged dividend of L400 per share for 1994.

In January, the Italian treasury sold just over half of its 60 per cent stake in Imi in one of the first large public offers by the government, and now owns 22 per cent. Mr Lamberto Dini, the treasury minister, indicated in June that once the nine-month freeze on selling more shares was over - in November - the treasury would consider reducing its holding still further.

Imi is studying the possibilities, which could include a direct offer to foreign investors, or a reinforced "hard core" of large Italian banks. Such Cariplo, San Paolo di Torino and Monte dei Paschi di Siena, which are Imi's largest shareholders after the treasury. At the moment, however, it looks as though a combination of less favourable market conditions, and reluctance to undermine other privatisation issues will delay the sale of a second tranche.

Imi's main activities are medium and long-term lending, personal financial services and investment banking. During the first half the group said that it had generated a "significant flow of commission" from its corporate finance and share placement activities.

During the first half the group's credits rose to L50,783bn, up 1.2 per cent compared with the end of last year.

First Boston hits hostile territory

Nicholas Denton reports on the US bank's unusual takeover role

CS First Boston has broken new ground for US investment banks by acting as sole adviser to Browning-Ferris Industries on its \$364m (\$564m) hostile bid for UK waste company Atwoods. BFI, itself a US company, may be a long-standing international client, but CSFB's role is an unusual one.

UK merchant banks, like their counterparts elsewhere, have tended to dominate public deals in their home market. The Atwoods takeover battle is one of the first, and certainly the largest, on which a US investment bank has been lead adviser to a UK aggressor.

You no longer need a City firm like Warburgs or Schroders to go hostile," said one international mergers and acquisitions investment banker. "The large 'bulge bracket' US firms have already moved to the top of the league tables for cross-border mergers and acquisitions in Europe. Morgan Stanley acted as financial adviser on 13 deals worth a total of \$4.5bn in the first half of this year, according to the magazine Acquisitions Monthly. The figures were for a short period and influenced by one particularly large deal but Morgan Stanley topped the table with Goldman Sachs.

another US firm, placed a close second.

But US firms now claim they are encroaching not just in the pan-European market, but also on the home territory of their local competitors. "I feel that we have already met the cross-border challenge," says Mr John Studzinski, head of European M&A for Morgan Stanley. "Now we are competing head-to-head domestically too."

Morgan Stanley points to its mandate on a purely UK transaction, advising the UK-based international marketing group Incheape in its bid for insurance broker Hogg Group earlier this year, as a landmark deal.

Goldman Sachs has been established in London since 1860 and as far back as 1887 advised British Caledonian on its sale to British Airways. But it too has made recent advances. Goldman this year won the mandate to be exclusive adviser to the National Grid Company in direct competition with UK banks. A spokesman said it had completed three deals worth more than \$1bn (\$600m) each this year where the transaction was "UK-oriented" and the firm's position compared "more than favourably" with any of its UK competitors.

Large US firms have also po-

neered many techniques of modern investment banking, from valuation models to having specialised groups of advisers for particular industries. This advantage has been eroded as UK firms have adopted similar techniques. US firms with a long presence in London appear to be gaining the confidence of the market. One rival concedes: "Goldman Sachs are part of the furniture now." Hiring of UK bankers has also helped US firms. A BFI executive at CSFB's offices for the takeover bid said: "Looking around they seem to have a lot of British."

One natural advantage of UK firms is a history of contacts with UK institutional investors that can make or break a share issue. However, the US firms claim to have caught up. "Our access to UK investors is as good as anyone's," says Mr Steven Berger, head of European investment banking for Lehman Brothers. Some UK firms accept that the US banks are making advances, but claim not to be worried. "This has been going on for a long time," says the head of one merchant bank. "We work alongside US firms and get on fine." Even CSFB says the Atwoods bid is not a revolution, as it looks at all

advisory work in an international context. Other UK firms say that US banks are making exaggerated claims. "The list is actually pretty thin," says an investment banker at a UK firm. Indeed, only one US firm - Goldman - figures in the top 10 M&A advisers on purely UK deals announced in the first half of 1994.

British critics point to some reverses. Goldman conducted its first initial public offering (IPO) for a UK company when it helped float the Nottingham Group earlier this year. The company's share price slipped well below the issue price when trading began.

US firms' advisory work in the UK market is also criticised by rivals. One UK firm quoted an example of when it had to step in and bail out a bidder which had relied exclusively on a US investment bank's advice.

Yet US investment bankers are still convinced that UK banks are giving ground, but through "erosion" of market share rather than a dramatic breakthrough.

This could spur larger UK firms to expand in other European countries. A Schroders executive points out that it has more domestic business in Italy than any US firm.

Canal Plus shares fall sharply after warning on second half

By John Ridding in Paris

Shares in Canal Plus, the French media and pay-TV company, fell sharply yesterday, losing FF25 to FF167, following a fall in first-half profits and a warning on full-year results.

Mr Claude Ravilly, finance director, told a meeting of financial analysts that full-year net profits would be in the region of FF900m (\$167.91m) compared with FF1.2bn last year and original estimates of FF1.1bn for 1994.

His comments followed the announcement on Tuesday night of first-half results, which showed a 25.6 per cent decline to FF503m. Revenues

rose from FF4.28bn to FF4.58bn. According to Canal Plus, the decline in profits reflected losses from associated companies, a swing from net interest income to net interest costs arising from depressed financial markets, and the impact of promotional campaigns.

It said first-half trends in revenues, operating income and net income are likely to remain in the second half. Net income will continue to be affected by the cost of new projects, notably in Germany, where a major promotional campaign, unforeseen at the start of the year, is under way.

According to Canal Plus, net income will also be affected if

financial markets maintain their current direction. A supplementary charge of about FF100m is also expected to be taken, partly to cover a rise in costs at the company's Spanish channel, Canal Plus Espagne. ● Pinault-Printemps-Redoute, the recently merged French stores group, said first-half net profit rose to FF1407m compared with FF189m a year earlier, agencies report from Paris.

The company added that it would sell 1.28m shares next week in a public sale to part-finance the acquisition of a stake in FNAC, the French specialist retailer. Pinault has had the shares on its books as treasury stock.

Radio Marconi ahead midway

By Peter Wise in Lisbon

Companhia Portuguesa Radio Marconi, Portugal's intercontinental telecommunications operator, yesterday announced a 15.2 per cent rise in net consolidated profits to E52bn (\$14m) for the first half of 1994, due mainly to a 15 per cent increase in traffic.

Operating profits, buoyed by

cost containment, rose 123.8 per cent to E8.3bn. However, Marconi registered a financial loss of E5.4bn compared with a profit of E5.33bn in the first half of 1993.

The company attributed this to the negative results of telecommunications holdings, particularly Telecomunicacoes Móveis Nacionais, a mobile telephone operator of which

Marconi owns 33 per cent.

TMN's sales increased 48 per cent to E89.3bn in the first half and the five-year-old company is forecast to show a profit next year.

Marconi, which is 51 per cent state-owned, is expected to be brought into Portugal Telecom, the state telecommunications group, before 25 to 30 per cent of PT is privatised next year.

Cockerill Sambre's bid for Eko Stahl confirmed

By Judy Dempsey in Berlin

Cockerill Sambre, Belgium's biggest steelmaker, yesterday confirmed it had put in a bid for Eko Stahl, eastern Germany's loss-making steel mill.

However, the Treuhand privatisation agency, which is selling Eko Stahl, one of the few large industrial enterprises still on the Treuhand's books, declined to disclose the bidding price or confirm that Cockerill was the only party interested in acquiring Eko Stahl.

Cockerill made its offer after carrying out several studies at Eko Stahl, located in the eastern state of Brandenburg, and following the collapse last May of a bid by Riva, the Italian private steel company. The

Belgian group had originally considered joining an international consortium, including Thyssen, the biggest German steelmaker and Usinor-Sacilor, the largest French producer, to prepare a feasibility study on Eko Stahl's prospects.

A consortium led by Thyssen and Preussag had earlier proposed buying 50 per cent of Eko Stahl's cold rolling mill, closing down the hot blast furnace over a period of three years, and providing 1,000 jobs through its subsidiaries.

However, the Treuhand wants to retain the mill's manufacturing capacity largely for political and social reasons since the 50,000 inhabitants of Eisenhüttenstadt are dependent on the plant.

Growth forecast reduced for UK company earnings

By Terry Byland in London

Kleinwort Benson Securities, the UK merchant banking and securities house, has sharply reduced its forecast for UK company earnings growth next year.

It says that City analysts are suffering from "money illusion" in their profit forecasts. The firm is cutting 1995 earnings forecasts from 10 per cent to 8 per cent.

This is the lowest target in the market and barely half the consensus among UK market analysts. Kleinwort is trimming forecasts for this year for UK non-financial company profits from 17 per cent to 15 per cent.

Mr Edmund Warner of Kleinwort points to the turn in the

interest rate cycle and to the likely impact on British companies of cost pressures and pricing difficulties.

Disappointment in company earnings could impact across the range of a UK stock market which has focused on profits and dividends as the driving force now that the interest rate outlook has become uncertain. Mr Warner expects profit forecasts by City analysts to turn increasingly towards downgrading of expectations following an interim reporting season which has been less robust than hoped.

Mr Warner is urging clients to target the UK bond markets for investment ahead of UK equities. He says that domestic conditions favour a rally in gilts.

CONTRACTS AND TENDERS

Invitation for proposals to establish and operate Audiotex Services in Pakistan

EXTENSION IN DATE

Pakistan Telecommunication Corporation has extended the date for receiving the applications to establish and operate Audiotex Services in Pakistan till 2 October, 1994.

This extension is granted at the request of the interested parties, firms and companies.

Terms & conditions of the invitation will remain the same. Applications along with the required information and documents should reach the undersigned by 2 October, 1994. The envelope should be marked: PROPOSAL FOR AUDIOTEX SERVICES.

Muhammad Rashid

Joint Secretary II, Government of Pakistan,
Ministry of Communications,
Block-D, Pak Secretariat, Islamabad-44000, Pakistan
Tel: (92-51) 823738, Fax: (92-51) 625454

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Interest Amount due 22nd March 1995	
Undated Notes per U.S. \$10,000 Note	U.S. \$ 281.56
U.S. \$250,000 Note	U.S. \$7,039.88
Dated Notes per U.S. \$10,000 Note	U.S. \$ 273.39
U.S. \$250,000 Note	U.S. \$6,834.84

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In accordance with Note conditions, notice is hereby given that for the interest period 22nd September, 1994 to 22nd March, 1995 (181 days), an interest rate of 5.4375 per cent, per annum, will apply.

Amount per coupon (No. 17) - U.S. \$1366.93

Payable on the 22nd March, 1995.

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Interest Amount due 22nd December 1994 per U.S. \$10,000 Note U.S. \$134.29
per U.S. \$50,000 Note U.S. \$671.44

CS First Boston

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FRF 500,000,000

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Floating Rate Notes

due 2001

For the period

September 21, 1994

to December 21, 1994

the new rate has been

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Next payment date:

December 21, 1994

Coupon rate: 15

Amount:

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Next payment date:

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Coupon rate: 7

Amount:

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FRF 39498.63 for the

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Chargeurs 1994 First Half

Increase in sales and net income

(FF millions)	June 30, 1994	June 30, 1993	1993
Net sales	5,002	4,482	8,602
Operating income	244	38	69
Net income/(loss)	213	(209)	(97)
Net equity per share (FF)	1,084	1,056	1,069

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INTERNATIONAL COMPANIES AND FINANCE

Picco quits unexpectedly as chairman at Eridania

By Andrew Hill in Milan

Mr Renato Picco yesterday unexpectedly resigned as chairman of Eridania Bèghin-Say, the French agro-industrial subsidiary of Italy's Montedison, prompting a FF59 fall in the company's shares which closed at FF750.

Mr Picco, 60, was one of the last top managers appointed by the old regime at Montedison and Ferruzzi, its holding company, under Mr Raul Gardini, who committed suicide last year.

New directors took over at Ferruzzi-Montedison in the middle of 1993, after the full extent of the group's debts became clear, but Mr Picco

decided to stay on at Eridania to work with the new directors as Montedison restructured.

Eridania yesterday reported a consolidated net profit of FF633m (\$117m) in the first half of 1994 on sales of FF24.8bn. In the first half of 1993, Eridania, which is quoted on the Paris bourse, reported profits of FF614m and sales of FF24.75bn, but it said comparison was misleading because of changes in the companies consolidated.

Net operating profit was down nearly 6 per cent to FF1.87bn from FF1.99bn, mainly because the important sugar operations were unable to repeat what Eridania described as exceptional

results in the first half of 1993, and the increased contribution of other sectors was not enough to offset this.

The company said it expected full-year results to be broadly comparable with 1993, when net profits reached FF1.34bn on turnover of FF50.9bn.

Mr Picco will be replaced by Mr Stefano Meloni, 46, director general of Ferruzzi-Montedison responsible for finance. Mr Picco was praised by the board for his "absolute independence and managerial rectitude" which had protected Eridania from the main repercussions of the crisis which hit the rest of the Ferruzzi-Montedison group last year.

Horsham to take energy unit public in \$150m issue

By Robert Gibbons in Montreal

Horsham, the Toronto-based holding company controlled by financier Mr Peter Munk, plans to take its wholly-owned Clark USA Oil Refining Unit public with a US\$150m offer of 7.5m new common shares at \$20 each.

Horsham will retain two-thirds of the Clark shares and may buy 10 per cent of the new issue. The offer is being underwritten by a syndicate led by Kidder Peabody, Goldman Sachs, Merrill Lynch, Morgan Stanley and BT Securities.

Clark is also offering C\$100m (US\$72.4m) of unsecured senior notes through a syndicate led by Kidder Peabody, BT Securities, Goldman Sachs and Morgan Stanley.

Proceeds of both offerings will be used to finance part of Clark's acquisition of Chevron's Fort Arthur refinery and to retire half of Clark's zero-coupon notes maturing in 2000.

Mr Munk holds control of American Barrick Resources, the world's third-largest gold producer, and Trizec, a North American property group, through Horsham.

CANTV on tip of a debt iceberg

The Venezuelan telecoms group is rescheduling, writes Joseph Mann

Compania Anonima Telefonos de Venezuela (CANTV), Venezuela's national telecommunications company that owes more to foreign creditors than any other private concern, has rescheduled its foreign debts due to Venezuela's foreign exchange controls imposed in June.

Mr Bruce Haddad, CANTV president, said his company began negotiating what he called a refinancing programme after it missed a payment on an international loan in August. Mr Haddad did not give a precise figure for CANTV's external debt, but said it was "hundreds of millions of dollars".

CANTV, privatised in 1991 by an international consortium headed by GTE of the US, had external obligations in bonds, notes, commercial loans, trade credits and others, Mr Haddad said. Over 40 financial institutions from the US, Europe and Japan are involved.

Mr Haddad said exchange controls announced by the government on June 27 had hurt the company's capital investment programme and made rescheduling a difficult proposition.

"We have no doubt whatsoever about CANTV's ability and willingness to service its debt on time," said one inter-

national banker who works with the company. "But the exchange control bureaucracy is excruciatingly slow and entirely beyond the company's control."

Bankers here said they knew of no large sums disbursed by the government to cover private sector foreign debt. However, the government is aware of the problem and reportedly allotted \$400m for private external debt. But it is not clear how soon the government

will begin supplying the funds. The public sector is apparently servicing its own debt normally.

However, CANTV's dilemma is only the tip of the iceberg. Strict foreign exchange controls and slow processing of applications for US dollars to service external debt has hurt many Venezuelan companies, including local subsidiaries of multinational concerns.

CANTV was planning a \$250m-\$300m eurobond issue in June, but cancelled the offer because of exchange controls.

"We have a huge problem

here," commented one international banker based in Caracas. "Our clients cannot obtain foreign exchange to keep their debt payments current, and we have hundreds of millions of dollars in overdue loans."

Mr Julio Sosa, minister of finance, said Venezuela's private sector external debt stood at about \$5bn, but the total could be higher. A large devaluation of Venezuela's currency and high inflation forced CANTV to cut

rate increases, and set up a special commission to study the matter.

Regular rate increases to compensate for inflation are stipulated in the concession agreement signed by CANTV and the last government. Inflation in Venezuela last year was 46 per cent. The government is predicting 65 per cent inflation this year, but private sector estimates suggest it may reach 84 per cent, even with widespread price controls in place.

The consortium that manages CANTV, Venworld Telecom, was carrying out a \$60m capital spending programme for Venezuelan telecommunications when unfavourable economic circumstances forced it to make reductions in capital and operating expenditures. Venworld is the largest foreign investor and the largest private investor in Venezuela. The group, which paid \$1.88bn in 1991 for 40 per cent of the government's shares in CANTV and operating control of the company, includes GTE, with 51 per cent of the consortium; Telefonos Internacionales de Espana; La Electricidad de Caracas; Venezuela's largest private power company, CIMA; the Banco Mercantil group and AT&T, the US telecoms group.

Eli Lilly expects to beat targets

By Richard Waters in New York

Eli Lilly, the US drugs group, yesterday indicated its third-quarter earnings would be ahead of most analysts' expectations, due largely to stronger-than-expected sales of Prozac, the anti-depressant which is its biggest-selling product.

Mr Sidney Taurer, executive vice-president, pointed to "solid worldwide growth in

new prescriptions" and a build-up of inventory by wholesalers in the US ahead of a price rise which took effect yesterday. The company said earnings per share for the three months to the end of September would reach \$1.08-\$1.12, after a 14 cents a share charge for the takeover of Sphix Pharmaceuticals.

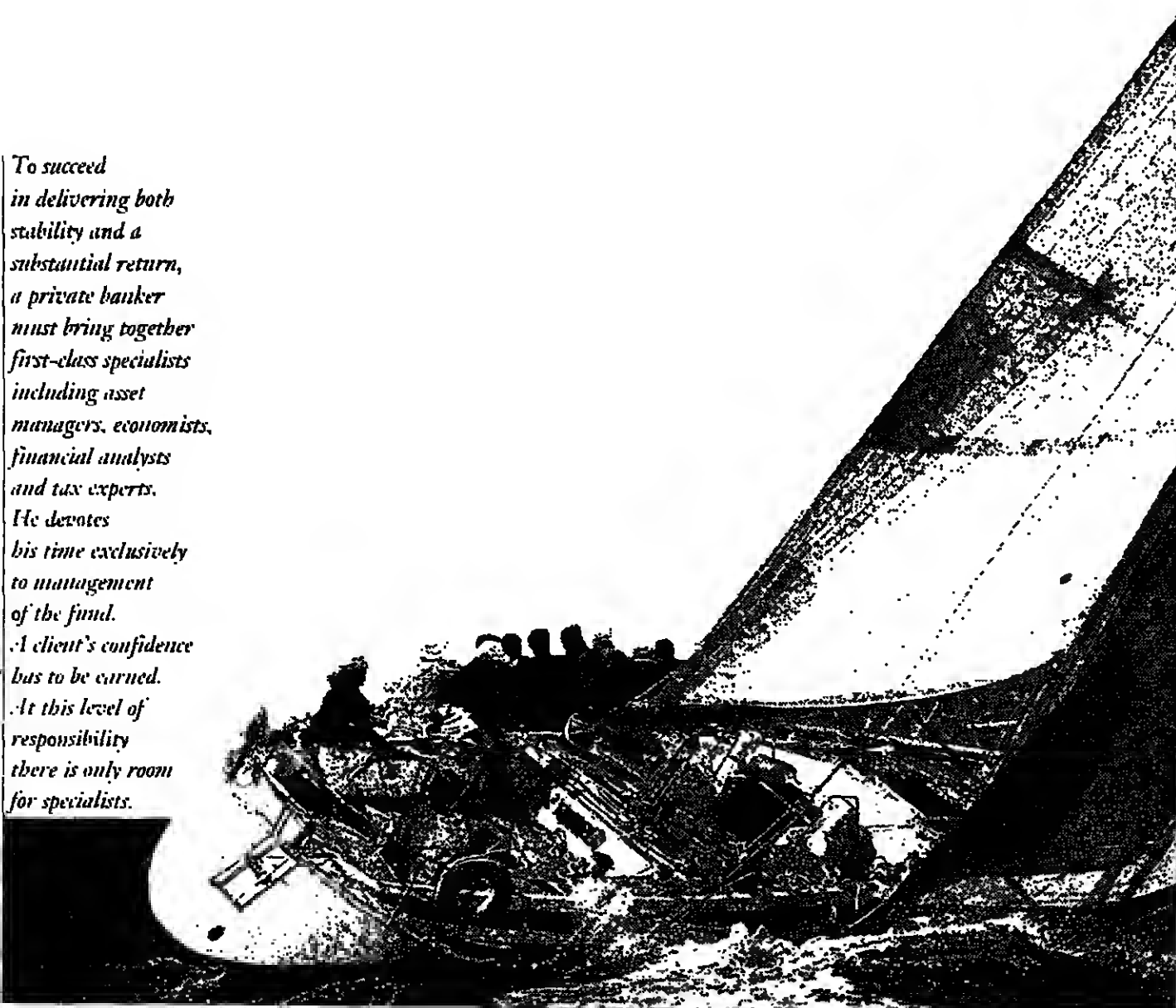
Lilly revised estimates of earnings per share for the year to \$4.65-\$4.85, up from \$4.55-\$4.65. This is before special charges, including those for the acquisition of Sphix and the planned \$4bn takeover of PCS, a drug distributor. The company's share price rose \$1 1/4 on the news, to \$59, but later fell back to \$58 1/2. Lilly's shares slid by nearly 20 per cent in July on fears that it was paying too much for PCS, but it bounced back on takeover speculation close to its high for the year.

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Balancing safety and performance in institutional fund management calls for considerable discipline.

To succeed in delivering both stability and a substantial return, a private banker must bring together first-class specialists including asset managers, economists, financial analysts and tax experts. He devotes his time exclusively to management of the fund. A client's confidence has to be earned. At this level of responsibility there is only room for specialists.



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Serfin and Inverlat merger put in doubt

By Damian Fraser in Mexico City

Grupo Financiero Serfin and Grupo Financiero Inverlat, Mexico's third- and fourth-largest financial groups, are on the verge of calling off their proposed merger after failing to reach agreement on the valuation of the two institutions.

The merger was proposed in June, and would, according to some measures, have made the combined group Mexico's second-largest financial institution. It would have given Serfin control over Inverlat, which controls the Comeremex bank and was seen as the weaker of the two groups.

Mr Roberto Aguirre, of Serfin, said a formal decision would be taken at the group's board meeting tomorrow. But he was not optimistic: "There have been a lot of problems in the negotiations, and the merger will probably not go ahead."

Reports in the Mexican press indicate that Serfin has decided not to proceed with the transaction.

Mr Aguirre said the main stumbling block was over the terms of the share swap that

would have led to the fusion of the two companies. Serfin wanted to exchange 3.7 shares of Inverlat for every one of its shares, while Inverlat had proposed a ratio of 2.5, according to Infosal, a financial news agency.

As negotiations over the transaction proceeded, both organisations concluded that the process of merging the banks would have been more complex and expensive than thought, and could have taken years to complete.

Serfin and Inverlat had hoped a merger would help them compete more effectively with the market leaders, Banamex and Bancomer, by enabling them to benefit from economies of scale in administration and systems.

"Under this situation, the probabilities of merging are very low," a Serfin executive told Reforma newspaper yesterday. "On a scale of zero to hundred, the probabilities of a merger are zero."

Serfin was quoted as saying the disagreement was not over the value of the two groups' assets or liabilities, but on the intrinsic worth of the different institutions.

Borden agrees to meet Kazarian for bid talks

By Richard Tomkins in New York

Borden, the troubled US food and wallpaper group that last week agreed to a \$2bn takeover offer from Kohlberg Kravis Roberts, the Wall Street investment firm, yesterday reluctantly agreed to meet another would-be suitor in the shape of Mr Paul Kazarian, owner of a Rhode Island investment firm called Japonica Partners.

Neither party would comment on the agenda for the meeting, but it is believed that Mr Kazarian, a former chairman and chief executive of Sunbeam-Oster, the US consumer products group, has repeatedly expressed an interest in bidding for Borden since the food group put itself on the block earlier this year, only to have his approaches rebuffed.

Borden's decision to agree to a meeting with Mr Kazarian comes amid mounting evidence that some Borden shareholders are deeply unhappy about the KKR deal and may revolt against it.

Yesterday, the International Brotherhood of Teamsters said it was advising the pension funds of its 150 affiliates, which between them hold at least 247,000 of Borden's 141.5m shares, not to tender their shares to KKR.

It also said it was meeting other institutional investors to discuss its concerns about the KKR offer.

Under the complex deal announced last week, KKR offered to exchange half its 35 per cent stake in RJR Nabisco, the US food and tobacco group, for 80 per cent of Borden's stock. RJR Nabisco would buy the remaining 20 per cent of Borden's shares, using newly issued RJR stock, and would also take an option to buy a 10 per cent stake in Borden from KKR.

Borden shareholders are

irked by several aspects of the deal.

If they reject the offer, KKR still gets a 19.9 per cent stake in Borden at a bargain price of \$11 a share - Borden's shares were at \$13 1/2 yesterday, down 8 1/2% - and will receive a \$50m fee from Borden. Conversely, if the deal succeeds, Borden will have to pay KKR a \$50m "advisory" fee.

Mr William Patterson, director of the office of corporate affairs at the International Brotherhood of Teamsters, said the bottom line was that Borden shareholders were having their stock purchased at a time when it was at its lowest point with "tremendous" upside, and in return they were receiving stock in RJR Nabisco which had substantial downside risks because of its potential tobacco liabilities.

"We are equally alarmed that this seems to be an extremely self-serving transaction from the point of view of KKR in the sense that they are paid a very large fee whether or not the deal happens," he said.

Few analysts believe Japonica's Mr Kazarian has access to the financial resources necessary to launch a serious bid for Borden.

However, Mr Patterson said Borden's shareholders should wait and see whether other, better offers come along before accepting the KKR deal.

"Why the rush?" he said. "The company's not going to implode overnight."

However, Mr Arthur Cecil, a research analyst with the T. Rowe Price mutual fund management group, a Borden shareholder, said the fact that investors were venting their frustration with the KKR deal was not necessarily an indicator that anything better will emerge.

"If I were a betting man, I would say that the KKR deal is pretty well done," he said.

INTL COMPANIES & CAPITAL MARKETS

SFE offers two for price of one

On Monday, investors will not just be able to buy and sell shares in Western Mining Corporation, one of Australia's biggest resource groups - they will also be able to trade futures contracts covering the same underlying stock.

As with all futures contracts, this will mean that exposure to the shares can be "leveraged" so that a relatively small movement in Western's share price is magnified into a much larger movement in the stock future.

Moreover, complex trading strategies will become possible - at least, in theory. For example, WMC, which is still a fairly good proxy for the gold price, could be bet against the Australian stock market.

The WMC futures contract is one of four new contracts being offered by the Sydney Futures Exchange from September 26. The other companies involved are MIM Holdings, the Queensland-based metals company, BTR Nylax, the diversified conglomerate controlled by BTR's BTR group, and Westpac, one of the big four Australian banks.

These four new contracts will augment the three existing individual share futures contracts - covering Broken Hill Proprietary, National Australia Bank and News Corporation - which started to trade in May. Another three contracts are due to be unveiled before the end of the year.

But the SFE's ambitions do not stop there. The 10 contracts introduced in 1994 all require settlement in cash, not scrip. In other words, investors are not required to deliver the underlying physical stock.

The SFE has made clear that it would like to introduce

"deliverable" share futures contracts as well, and is talking to the Australian Securities Commission about this. The regulator would need to give permission before such a product could be launched.

Secondly, while Mr Les Hosking, chief executive of the SFE, sees the number of Australian share futures contracts being pegged at 10 for the fore-

DERIVATIVES

seeable future, he holds out the prospect of introducing SFE-traded contracts for companies whose physical stocks change hands on overseas exchanges. "Imagine an IBM or General Motors contract," he says.

"Imagine" may be the key word. All this is highly ambitious and totally uncharted territory. Sydney is the only market in the world where futures contracts are available on individual shares in any meaningful fashion. In the US, such contracts are specifically prohibited, in part because of price manipulation concerns.

Even in Sydney, the SFE's go-go approach has run into some stumbling blocks. For a start, in spite of the publicity surrounding these new derivative instruments, trading volumes have not been large. During the first three months, the BHP/NAB/News share futures traded a total of 14,946 contracts.

"I'm patient about these things - development is very dependent on the cash market," says Mr Hosking, pointing out that the stock market itself has been sluggish in recent months.

Nevertheless, even the SFE

concedes that many institutional investors are reluctant to get involved with the new contracts until liquidity has developed.

The SFE's second problem is a continuing turf battle with the Australian Stock Exchange over who should run this type of derivatives market. No sooner had the SFE got permission for its three initial contracts, for example, than the ASX's derivatives department countered with a new type of options contract.

This was called the "Low Exercise Price Option" (or LEPO), and was simply a very deep "in-the-money" call option, whose exercise price could be as little as one cent.

Accordingly, LEPOs were designed to trade in line with the physical stock, but - thanks to the options market's margining - the full price would only be payable on expiry. The ASX's LEPOs covered five stocks - including the three targeted by the SFE.

Since then, the ASX has come out with a more sophisticated rival offering: share ratios. These, it claims, are an entirely new equity-based derivative, which allow investors to gain exposure to a share based on how it performs relative to the stock market, not on whether it goes up and down in price.

However, by giving investors a chance to punt on whether BHP, say, betters the stock market generally, the share ratio contract will compete directly with one of the main uses for share futures contract.

The problem for the ASX, however, is Australia's Corporations Law. This currently imposes a fairly rigid divide between "futures" and "secu-

ties", making these products the concerns of the SFE and ASX respectively.

Earlier this month, the attorney-general proffered a helping hand when he proposed some amendments which, if passed into law, would permit share ratios to start trading. His office, while emphasising that this is a decision in respect of one product only, suggests that the legislative adjustments could be made by the end of this year.

But this has not stopped the SFE from fighting a fierce rearguard action. It has already taken court action over the proposed LEPOs, for example. Any decision would probably be open to appeal, so this product is unlikely to be available before the end of this year.

While jockeying between the exchanges continues, some of the companies whose stock is involved in these new contracts are less than enthralled. When the first trio of contracts got under way, BHP pointed out that promotion of futures contracts on its shares tended to cut across its own investors relations department's efforts to promote the underlying physical stock.

Moreover, if use of the new contracts became widespread, the task of explaining share price movement in the underlying stock to less sophisticated investors would probably become more difficult.

For the exchanges there is the additional concern that they are playing in an international marketplace and that if their products are held back, other overseas exchanges will throw caution to the wind and take the initiative.

Nikki Tait

Japan's brokers lower forecasts

By Emiko Terazono in Tokyo

Sluggish trading volume on the Tokyo stock market has led to Japan's "big four" brokers - Nomura, Daiwa, Nikko and Yamachichi - and 10 second-tier brokers revising downwards their interim earnings forecasts for the six months to September.

The move could herald another round of cost-cutting at the houses. At the start of the current business year in April, the brokerage houses had hoped to see a recovery in corporate earnings support share prices and trading volumes.

A rush of buying of Japanese shares by overseas investors during the January-March quarter of this year helped to fuel such expectations.

However, domestic institutions have remained pessimistic over a sharp corporate earnings recovery, while flotations

of former state-owned companies have triggered fears of over-supply and depressed investor confidence.

Although many brokers had hoped that average daily turnover would total around ¥400bn (¥4.04bn) for the first half, the actual figure has been ¥350bn.

Although the brokerages have been reducing trading expenses and administrative costs, many have yet to restructure their fixed costs. "Until now their cost-cutting hasn't really been long-term rationalisation. They'll be forced to cut more into the fixed area," said Ms Elizabeth Daniels, banking analyst at Morgan Stanley in Tokyo.

Nomura Securities lowered its interim pre-tax profits forecast to ¥23bn, down 9 per cent from the previous year and a 42.5 per cent decline from its initial estimate. The company blamed lower stock brokerage

income and revenue linked to convertible and warrant bonds. Operating revenue for the interim period is forecast to be ¥190bn, down 5.9 per cent from a year earlier, and after-tax profits are expected to decline 10 per cent to ¥9bn.

For the full year to March, the company has revised down pre-tax profits to ¥70bn - still 33.3 per cent higher than that achieved in the previous 12 months - on a 2.8 per cent rise in operating revenue to ¥410bn and an 8.8 per cent increase in after-tax profits to ¥7bn.

Daiwa Securities said interim pre-tax profits would plunge 80 per cent from a year earlier to ¥7bn instead of the previously predicted ¥25bn.

Operating revenue for the first six months is expected to fall 21.6 per cent to ¥124bn and after-tax profits to decline 32.8 per cent to ¥3bn. For the full year, Daiwa predicts pre-tax profits to fall 23 per cent to

¥40bn on an 8 per cent decline in operating revenue to ¥73bn.

Nikko Securities expects to break even at pre-tax and after-tax levels in the first half. Operating revenue is expected to fall 16 per cent to ¥115bn. For the year to March, the company expects a 14.3 per cent fall in pre-tax profits to ¥30bn on a 6.9 per cent decline in operating revenue to ¥79.4bn.

Yamachichi Securities, which expected to post a pre-tax profit of ¥10bn, now expects pre-tax losses of ¥9bn on a 17.3 per cent fall in operating revenue to ¥100bn.

For the year, the company forecasts a 26.9 per cent decline in pre-tax profits to ¥13bn on a 3.4 per cent fall in operating revenue to ¥225bn.

Meanwhile, all 10 second-tier brokers said they expected to post pre-tax losses for the six months to September.

Qantas climbs into the black with last figures before float

By Nikki Tait in Sydney

Increased passenger loads and a large reduction in abnormal items helped Qantas, the government-controlled Australian airline in which British Airways holds a 25 per cent interest, climb back into the black for the year to June.

The carrier said that profits after tax and abnormalities stood at A\$155.9m (US\$114.6m), compared with a loss of A\$377.3m last time. Revenues were up by 13.2 per cent at A\$6.6bn, although this was partly due to the inclusion of the domestic operations of the former Australian Airlines for 12 months (compared with 10 months previously). Earnings before interest and tax more than doubled to A\$480m.

This is the last set of full-year figures which Qantas will produce before the government floats its remaining 75 per cent interest in the airline on the stock market in the first half of 1995.

Precise timing of the float - expected to raise more than A\$2bn for the government - is undecided. Mr Gary Pemberton, Qantas chairman, said the

prospectus would contain a profits forecast for 1994-95 and possibly for 1995-96.

The increase in operating profits during the past financial year was attributed to increased passenger loads both in Australia and overseas. The company said total revenue passenger kilometres on international routes rose by just over 10 per cent, and load factors increased from 67.9 per cent to 70.6 per cent.

However, yields - revenue per passenger kilometre - were merely stable, due to continued fare discounting.

Mr James Strong, chief executive, added that the Pacific routes, which have long been loss-making, became "marginally profitable". A number of big US airlines, such as Continental and Northwest, have abandoned these routes and fares have risen significantly.

Revenue from domestic operations increased on the back of a 1.7 per cent rise in capacity, and yields showed "a slight improvement". Costs overall rose, but by less than capacity. Fuel costs for the year were "down marginally, net of hedges," according to Mr

Pemberton. Interest charges were A\$178.2m, compared with A\$197.4m previously.

Abnormal items amounted to A\$64.9m before tax, made up of redundancy provisions, asset write-downs, and a provision for under-recovery of rentals. A year ago, Qantas was hit by a massive A\$446.4m abnormal charge.

Qantas said that "with no strengthening of yield in prospect, further reductions in overall unit cost levels will continue to be a major priority".

However, Mr Pemberton said that the carrier had been "quite happy with the first couple of months" of the current trading year, although he also warned that "future prospects will depend to a considerable extent on trends in the aviation market particularly a continued strengthening in market demand and maintenance of reasonable yields".

Qantas said later that it was in the process of organising a A\$750m five-year standby facility, to replace a US\$400m note issue facility and separate US\$300m multi-option facility.

French lift results at Italcementi

By Andrew Hill in Milan

Income from Ciments Français and other foreign operations helped Italcementi, Italy's biggest cement group, to overcome the continued depression on its domestic market in the first half of this year.

Italcementi, which bought Ciments Français in 1992, has unveiled consolidated first-half profits, before amortisation, provisions and taxes, of L308.5bn (€196.47m) compared with L218.8bn in the first half of 1993.

But the company's Italian arm was hit by the continued stagnation in the Italian construction market. Production fell by 12.6 per cent, faster than the average drop in demand.

Overall income of the group, which is headed by the industrialist Mr Gianpiero Parenti, was L2,545bn compared with L2,558bn last time, but the Italian group registered a drop in turnover to L429.4bn, compared with L414.1bn in the first six months of 1993.

● Fondiaria, the Italian insurance company indirectly controlled by the Ferruzzi holding company, returned to net profit in the first half of 1994 due to extraordinary gains on the sale of investments and property.

After tax, the company recorded a profit of L14bn for the first half, compared with a loss of L12bn in the equivalent period.

Investment gains amounted to L84.2bn, compared with L8.8bn, and property sales realised a profit of L22bn. No property was sold in the first half of 1993.

Premium income also increased during the period, and the reduction of debts to L748bn on June 30, compared with more than L1,000bn a year earlier, also helped. Total group company premiums increased to L3,187bn, up 2.3 per cent.

Bristol-Myers completes acquisition of UPSA

By John Riddling in Paris

Bristol-Myers Squibb, the US pharmaceuticals and healthcare group, has announced the completion of its acquisition of UPSA, the French privately-owned pharmaceuticals company.

The US group also announced the appointment of Dr Jacques Dardaud as chairman of UPSA. Dr Dardaud, previously chairman of Bristol-Myers France, succeeds Dr Nicolas Bru with immediate effect and will have responsibility for UPSA's worldwide operations.

Dr Bru will become president of UPSA's advisory board.

UPSA is a research-based company with annual sales of about \$350m. It is one of the leading manufacturers and marketers of analgesics in France and Belgium and has subsidiaries in Belgium, Spain, Italy and Portugal. It also develops and markets cardiovascular and gastrointestinal medicines.

Mr Charles Hambold, chairman of Bristol-Myers Squibb, said the deal would enhance its participation in Europe's growing self-medication market.

Vietnam opens up share sale

Vietnam is to allow foreigners to buy bonds and shares issued by state-owned companies in what one economist said was a form of privatisation. Reuters reports from Hanoi.

The scheme will be open to foreign companies and residents, overseas Vietnamese and Vietnamese enterprises.

A government economist said the share issue would amount to issuing new capital that would be privately held, diluting state ownership.

New regulations say the purchase and sale of bonds and shares should be in Vietnamese dong.

All of these securities having been sold, this advertisement appears as a matter of record only.

39,921,400 Exchangeable Notes



Atlantic Richfield Company

9% Exchangeable Notes due September 15, 1997

(Subject to Exchange into Shares of Common Stock, Par Value \$1.00 Per Share, of Lyondell Petrochemical Company)

5,750,000 Exchangeable Notes

This portion of the offering was offered outside the United States by the undersigned.

Goldman Sachs International

Merrill Lynch International Limited

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Deutsche Bank AG London

Société Générale

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Barclays de Zoete Wedd Limited

BMO Nesbitt Thomson Ltd.

BNP Capital Markets Limited

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J. J. B. Hilliard, W. L. Lyons, Inc.

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Parker/Hunter

Scott & Stringfellow, Inc.

Stifel, Nicolaus & Company

Incorporated

August 1994

COMPAGNIE BANCAIRE

FRF 300,000,000

FLOATING RATE NOTES

DUE 1997

For the period

September 21, 1994

to December 21, 1994

the new rate has been

fixed at 5.625 % P.A.

Next payment date:

December 21, 1994

Coupon rate: 17

Amount:

FRF 142,19 for the

denomination of FRF 100,000

FRF 142,188 for the

denomination of FRF 100,000

Notice is hereby given

that pursuant to

paragraph "Purchase and

Redemption" (d) of the

terms and Conditions of

the Notes, a nominal

amount of FRF 500,000

has been presented for

redemption on the

Interest Payment

Date falling on

September 21, 1994.

Nominal amount

outstanding after

September 21, 1994:

FRF 450,840,000

THE PRINCIPAL PAYING

AGENT SOGENAL

SOCIÉTÉ GÉNÉRALE

GROUP

15, Avenue Emile Reuter

LUXEMBOURG

Coventry Building

Society

\$100,000,000

Floating rate notes 1997

Notice is hereby given that for

the interest period 20

September 1994 to 20

December 1994 the notes will

carry an interest rate of

6.000% per annum. Interest

payable on 20 December 1994

will amount to \$151.15 per

\$10,000.00 note.

Agent: Morgan Guaranty

Trust Company

JPMorgan

London, Agent Bank

September 22, 1994

CHASE

COMPANY NEWS: UK AND IRELAND

Strong sales growth contributes to sharp rise in working capital

Laporte up 14% to £58.6m

By David Wighton

Laporte, the speciality chemicals group that acquired Evode for £129m last January, increased pre-tax profits by 14 per cent from £51.3m to £58.6m in the six months to July 3.

Mr Ken Minton, chief executive, said that the group had experienced "modest" improvements in trading conditions in many of its major markets, with the trend accelerating in the second quarter.

But the strong sales growth at the end of the period contributed to a sharp rise in working capital, about which Mr Minton said he was "bloody angry". He added that some of the build up of debtors would reverse in the second half.

Turnover rose 11.5 per cent to £490.8m. Laporte said that

allowing for disposals, sales increased by 16.8 per cent; however, this has not been adjusted for acquisitions.

Earnings per share rose 9.5 per cent to 22p and the interim dividend is up 7 per cent to 7.5p (7.4p).

Stripping out disposals, operating margins slipped to 12.75 per cent (13 per cent), but before depreciation - which rose £1.9m - and rationalisation costs of £1.9m (£800,000) margins were ahead.

Mr Minton said he hoped to widen margins further helped by the reorganisation of the group into 16 strategic business units. Started last year the process is already yielding "substantial" savings and is on track to cut costs by 2 per cent after two years.

Laporte is also managing to

push through some price rises helped by the improving health of some of its customers, notably polymer manufacturers.

All five divisions reported higher profits with organics, construction chemicals and engineering polymers/electronics chemicals showing strong growth.

After a £30.7m jump in working capital, there was a cash outflow from operations of £14.4m and net borrowings rose £4.7m to £139.9m during the period. However, the company stressed that this was partly seasonal that net debt continued on a declining trend. Gearing was 41 per cent, but interest cover 14.6 times.

● **COMMENT**
The lingering worry with Laporte is that it tries too hard

to impress. The 16.8 per cent figure for sales growth allowing for disposals was admirable, but meaningless. Adjusting for the acquisition of Astec and the extra month from Evode, the underlying increase was nearer 10 per cent. That is respectable enough though it is easy to see why Laporte might be tempted into a bit of window dressing. Now that the main gains from Evode are in the bank, it needs to show healthy organic growth to justify its premium share rating. But on current forecasts its growth is lagging the rest of the market. The solution might be another deal and after the success of Evode the City would be more than ready to call. Another rights issue might also push it back into the FT-SE 100.

Innovative buy-back at Northern Electric

By Michael Smith

Northern Electric bought back 10 per cent of its shares yesterday after announcing an innovative method of effecting the purchases which could entitle sellers to significant tax credits.

Although six other regional electricity companies have bought back shares none of them are near the 10 per cent level which most set as limits when seeking shareholder approval.

Several have been considering the type of buy-back launched by Northern yesterday but have backed off because of uncertainty over the Inland Revenue's stance.

Northern yesterday made clear that potential entitlements to tax credits under its scheme would be a matter which shareholders would have to negotiate individually with the Inland Revenue.

It could not give any assurance that the tax credit would ultimately be realised. However the company would provide vouchers showing information including the associated tax credit.

Barclays de Zoete Wedd, Northern's broker, said last night that it had bought 12.4m shares yesterday at between 812p and 818p. Northern's shares closed at 813p yesterday, a rise of 19p.

Through the Northern scheme, BZW acted as an agent to effect on-market purchases rather than a market maker. The idea is that a shareholder who sells shares to the company through an agent would be treated as receiving a "qualifying distribution", or income similar to a dividend, for tax purposes.

The amount treated as a distribution is the repurchase price of the shares less their nominal value of 50p.

Analysts gave it a mixed welcome. Some praised the company and its advisers for devising a scheme that gave investors the possibility of higher rewards than they expected. Others believed the market might punish the company by downgrading its shares, if the Inland Revenue failed to give tax credits in large quantities.

Spirax-Sarco achieves 24% expansion to £14m

By Andrew Bolger

Spirax-Sarco Engineering, the Cheltenham-based steam equipment specialist which sells 85 per cent of its products overseas, reported a 24 per cent increase in pre-tax profits, from £11.4m to £14.1m, in the six months to June 30.

Operating profit increased 23 per cent to £14.8m and operating margin improved from 13.3 to 14.2 per cent.

Mr Chris Tappin, executive chairman, said: "The return to volume growth which we achieved in the last quarter of 1993 has been maintained consistently throughout the period, emphasising the international strength of our business."

He said the group was beginning to experience some increase in the price of raw materials, but these were not a significant element in the final sales price and would not have a material effect on margins.

Turnover increased by 14 per cent to £103.9m, of which 6 per cent points were attributable to a full contribution from Spirax-Jucker, the group's former Italian licensee which it bought for £13.4m last year.

The group said that while volume was unchanged in the UK, margins improved and it was seeing the first signs of returning confidence.



David Meredith, finance director, (left), with Chris Tappin and Tim Fortune, managing director, confidence returning to the UK

Volumes grew in continental Europe in spite of continuing difficulties being experienced in Germany and Italy. In particular, the group's sales operations in France, Scandinavia and Spain achieved good improvements.

Mr Tappin said the main manufacturing activities in the UK, US and France enjoyed higher levels of demand, in part following last year's inventory reduction, and increased their shipments to their selling operations around the world. Good productivity gains, coupled with tight cost

control, resulted in the improved manufacturing margins.

Group companies in the Americas increased volume and strong growth in Asian markets helped subsidiaries in Korea, Singapore and Thailand to increase their contribution to profits.

Gearing fell from 35 to 13 per cent. Earnings per share rose by 26 per cent to 10.7p (8.5p). An interim dividend of 3.5p compares with 6.8p last time when the payment was boosted to maximise the benefit from an enhanced scrip dividend.

Arjo allays fears of large rights issue

By Richard Wolfe

Shares in Arjo Wiggins Appleton rose by 12p to 263p yesterday after the Anglo-French paper group denied that it would bid for SD Warren, owner of four big US paper mills. Warren is being acquired by Scott Paper Company.

Arjo said, however, it was "investigating ways whereby it might participate in a significantly smaller proportion of SD Warren's business in conjunction with

a partner."

Analysts described the share price rise as a collective sigh of relief that Arjo would not be launching a substantial rights issue to fund an acquisition.

Mr Mike Brown of SG Warburg Securities said: "The statement was overdue, because the market was rife with these stories. It was emerging that there were one or two favoured candidates at Warren and people were beginning to put some numbers together."

Arjo is likely to face stiff competition to buy the more attractive operations at Warren, the world's largest maker of coated free-sheet paper. The auction is due to close next week.

Arjo has been hit by wood pulp price increases of 45 per cent this year as the recovery in the paper industry has led to a shortage of raw material. With little pulp production of its own, it has been forced to pass on higher costs.

See Lex

Barratt advances 72% to £35.2m

By Christopher Price

Barratt Developments yesterday underlined the strength of its recovery in the group's fortunes and the UK housing market with a 72 per cent rise from £20.4m to £35.2m in full-year profits to June 30.

Mr Lawrie Barratt, chairman, said the pace of recovery in the south-east was one of the most significant factors in the continuing recovery. "After substantial losses over the previous four years, the return to profitable trading of our southern region subsidiaries is a major achievement," he said.

Turnover increased 23 per cent to £498.9m (£405.3m). Earnings per share rose 39 per

cent to 12.9p (9.3p). The final dividend is 4p (3p) for a total for the year of 6p (4p).

Mr Lawrie, 66, who came out of retirement three years ago after the group began to incur heavy losses, took the opportunity yesterday to scotch press speculation that he was about to step down. "Rumours of my resignation have been greatly exaggerated," he said, adding that he intended to see out the remaining two years of his agreed tenure.

Mr Frank Eaton, chief executive, said price rises nationwide for new houses were ahead of inflation and running between 5 and 10 per cent ahead of a year ago in the south-east.

However, older Barratt properties were proving harder to make price rises stick and overall prices were stagnant. Mr Eaton forecast similar price rises for the following 12 months, with volumes likely to be ahead 10 per cent. The average price of a Barratt house last year was £74,900 against £74,800 the previous year.

Operating margins improved from 8 per cent to 10.4 per cent, which the company put down to a general improvement in the housing market. Mr Eaton said that the company had withstood pressure from suppliers to pass cost increases on.

● **COMMENT**
The miserly rise in Barratt's

share price yesterday showed less attention to the group's seemingly good results and more to the issue currently occupying investors' minds: interest rates.

Profit forecasts have been raised some 8 per cent for next year to around the £50m mark. This would give 18.6p of earnings and a prospective p/e of 9.6 - undemanding, particularly when compared with the likes of Bryant and the construction sector as a whole. But while expectations of interest rates remain upward, and given the caution of some investors towards volume housebuilders after the severity of the recession, the shares are unlikely to show any great improvement.

Bowthorpe rises to £31.2m

By David Blackwell

Bowthorpe, the international electronic and electrical components group that made a £61.4m rights issue last December, lifted interim pre-tax profits 16 per cent from £27m to £31.2m. Turnover for the six months to June 30 rose 24 per cent, from £163.6m to £202.2m.

Mr John Westhead, chief executive, said the results showed "a satisfactory improvement". The group, which has 63 companies operating in 11 business sectors, was continuing to look for acquisitions in niche busi-

nesses following last month's £4.4m purchase of Bohlin Instruments.

The group, ungaraged since the rights issue, generated £11.4m (£8.3m) from continuing operations. Net liquid funds at 30 June totalled £100.5m (£23.6m at December 31 1993).

Acquisitions were behind the improvement in the US, which reported operating profits of £11.6m (£8.2m) and accounted for 37 per cent of the group total. Turnover rose from £51.6m to £80.6m.

A good exports performance was behind the £1.3m increase in UK operating profits to

£8.2m, 26 per cent of the group total. There were signs of recovery in Europe, where operating profits edged ahead by £900,000 to £9.4m, or 30 per cent of the total.

The group said that, while outlook for the rest of the year was satisfactory, there was evidence of a slower US growth rate and margins continued to be under pressure in Europe. The group maintained first half margins at 15.1 per cent. Earnings per share were ahead 3.7 per cent from 8.91p to 9.24p after dilution for the rights issue. The interim dividend rises from 1.88p to 1.96p.

William Sindall shares dip 16%

Shares in William Sindall retreated 16 per cent yesterday after the building company said it was in talks which "could result in a major acquisition and fund raising exercise."

The statement continued: "However, it is envisaged that any issue of ordinary shares made in connection with these proposals would be at a discount to the current market price." The company refused to comment further.

Sindall shares closed down 17p at 89p. The announcement had been prompted by a recent surge in the shares.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Arcoelectric	0.6075	Nov 14	0.555	8	1.215
Barratt	1.96	Dec 12	1.68	6.91	4
Brit Aerospace	4	Nov 30	3.3	8.3	8.3
Chelfield	1	Nov 10	1	1	1
Fitzwilton	1.5	Nov 10	1.5	3.5	3.5
Golden Vale	0.62	Nov 10	0.6	1.56	1.56
Henderson Euro	1.85	Nov 2	1.7	3.35	3.2
Kelvinwort Devpt	8.25	Dec 12	7.75	11	10.5
Laporte	7.9	Nov 23	7.4	20.7	20.7
Photo-Me	3.3	Jan 8	3.2	4.6	4.6
Pittard	0.75	Jan 4	nil	1	1
Spirax-Sarco	3.5	Dec 6	6.8	6.8	6.8
Steel Burn	3	Nov 3	3	8	8
Tibbet/Britain	5	Nov 11	4.5	14.2	14.2
Tilbury Douglas	10.5	Nov 11	10.5	21	21
Torloy Trust	10	Nov 14	10	40	40

Dividends shown pence per share net except where otherwise stated. *On increased capital. *US\$1m stock. *£1000 pence.

SBH acquires Kelvin Central in £11.1m deal

By Caroline Southey

Kelvin Central, a Scottish bus company, sold by Scottish Transport Group to a management buy-out for £11.1m, is to be acquired by SBH, the parent company of Strathclyde Buses Group, in a deal which values Kelvin at £11.1m.

For each of their shares, SBH is offering Kelvin shareholders £10 in cash or £10 nominal of loan notes or 10 new SBH shares. Over 53 per cent of Kel-

vin's shareholders have agreed to accept the offer.

The management buy-out deal in 1990 included a £1m deferred consideration, which Kelvin Central will now repay.

SBH reported pre-tax profits of £2.1m and turnover of £58.2m in the year to March 31. At that date it had net assets of £21.5m. Kelvin Central reported losses of £1.5m on turnover of £27.3m in the year to December 31. At that date it had net assets of £6.2m.

This announcement appears as a matter of record only.

Cluff

Cluff Resources Ghana Limited

Gold heap leach project, Ayanfuri, Ghana.
Gold loan for 17,333 Troy ouncesArranged by:
Barclays Mining FinanceAmerican and Asian Option Gold Hedging
Programme structured and provided by:
Barclays Metals GroupGold funded by:
Barclays Bank PLCOverseas Investment Insurance provided by:
ECGD

September 1994

The BIEE memorial award for Andrew Holmes

A fund has been established in memory of the distinguished Financial Times journalist and editor of *Power in Europe*, Andy Holmes. The British Institute of Energy Economics (BIEE) is to give an annual research award of £1,000, subject to finding a suitable candidate. The arrangements are being administered by BIEE. The award is open to men and women between the ages of 21 and 35, resident in the United Kingdom, and who are interested in energy issues.

Applicants should submit a two-page original and non-technical research proposal related to energy or to energy and the environment, and likely to lead to a 5,000-10,000 word paper. This proposal should reach the address below by October 31, 1994 with a cover note giving details of address, phone and fax numbers plus university or company affiliation, if any. A shortlist of applicants will then be drawn up and interviewed in London in December. The winner will receive half the money on winning the award and the remainder on completion of the paper. The results will be announced in early 1995.

The aim of the award is to encourage young managers, postgraduates and others to think about the wider issues of energy policy. Topics could include the European Energy Charter, global warming, the impact of China's economic growth on energy demand, policy on the development of alternative transport fuels, the future of nuclear power, third party access to transmission grids etc. These are purely illustrative. The judges do not wish to specify a precise topic, but the subject matter and final essay should be fully comprehensible to a non-scientific or non-technical audience. The winner may be asked to present his or her findings at a BIEE meeting, and the resulting paper may be published in shortened form in the *FT Energy Economist*.

Applications should be sent to: Lucy Plaskett, FT Newspapers, 126 Jermyn St., London SW1Y 4UJ. Fax: 071-411-4415.

NBD BANCORP, INC

US\$100,000,000
Floating rate subordinated
notes due 2005

Notice is hereby given that for the interest period 22 September 1994 to 22 December 1994 the interest rate has been fixed at 5.35% interest payable on 22 December 1994 will amount to US\$12,711 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Midland Bank plc

US\$500,000,000 Undated
Floating Rate Primary
Capital Notes

The Rate of interest has been fixed at 5.75% p.a. The interest payable on the relevant interest payment date March 22, 1995 against coupon No. 19 in respect of US\$10,000 nominal of the Notes will be US\$288.10.

Citibank, N.A. (Issuer Services), Agent Bank
September 22, 1994

THE BARING PACIFIC INTERNATIONAL FUND

Registered Office: Luxembourg, 13 rue Goethe, R.C. Luxembourg B 20.584

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS
of The Baring Pacific International Fund will be held at its registered office at 13, rue Goethe, Luxembourg at 2.30 pm on 30 September 1994 for the purpose of considering and voting upon the following matters:

1. Acceptance of the Director's and Auditor's reports and approval of the financial statements for the year ended 31 May 1994.
2. Distribution of Dividend.
3. Discharge of the Board of Directors.
4. Re-election of Directors.
5. Re-election of Auditors.
6. Miscellaneous.

Voting
Shareholders on the agenda of the annual general meeting will require no opinion and will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

Voting Arrangements
Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 23 September 1994. Proxy forms will be sent to registered shareholders with a copy of this Notice and can also be obtained from the registered office.

The Board of Directors
16 September 1994

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COMPANY NEWS: UK

BrightReasons coming to market with £70m tag

By David Blackwell

BrightReasons, the private company which owns the Pizzaland restaurants chain, is planning to come to market after its annual results are published late next month.

The group, which is expected to be capitalised at about £70m, plans to clear its debts of more than £15m and raise a small amount of additional capital in order to maintain its growth rate.

As well as 117 Pizzaland outlets, the group owns a chain of 33 Bella Pasta restaurants and 17 Pizza Pizzas.

Mr Michael Guthrie, group founder and chairman, said yesterday that Pizzaland, which has an average spend of £5 a head, was represented in 30 towns and cities in the UK. There were 100 other places with the right profile to launch a new branch.

Bella Pasta, which Mr Guthrie claimed was the only pasta chain in the country, could expand to a further 100 sites, and Pizza Pizzas to a further 25.

The group made operating profits of £4.07m in the nine months to June 30 on sales of £56.1m. It paid interest of £1.19m.

Mr Guthrie, a former chairman and chief executive of Mecca Leisure, started the group with the purchase of a



Michael Guthrie: Pizzaland outlets in 30 UK towns and cities

chain of 136 loss-making restaurants from Grand Metropolitan for £16m in 1991. A further 44 restaurants were purchased from Rank early last year.

The pizza chain was given a more European feel and a wider range of menu, and returned a small profit in its first year.

Mr Guthrie said the UK market for pizza and pasta restaurants had grown by more than 25 per cent in real terms since 1985, and he expected further

strong growth as eating out continued to become more popular.

The main shareholders in BrightReasons are Mercury Asset Management, with 53 per cent, and the management, with 29 per cent.

Some of the management will be selling shares, but Mr Guthrie will not be selling any of his 8% per cent stake.

Sponsors to the issue will be Samuel Montagu, and UBS is broker.

Steel Burrill recovers to £3.8m surplus

By Christopher Price

Steel Burrill Jones Group, the insurance and reinsurance group, yesterday returned to the black with pre-tax profits of £3.79m for the first half of 1994 compared with losses of £2.52m.

Mr Christopher Burrill, finance director, said the turnaround had been achieved through a restructuring of the business during the last year.

He added that the group's trading profit of £4.38m, before loss on disposal of the group's north American subsidiary, was 20 per cent higher than the £3.62m last time. However, he admitted that "the overall trading environment remains tough."

Turnover slipped 2 per cent to £23.9m (£24.4m). In the London marine market, turnover dropped 13 per cent to £4.8m (£5.6m), while the non-marine business slid 7 per cent to £7.3m (£7.9m).

However, there was an improvement in the retail broking and consultancy business where turnover rose by 2 per cent from £9.91m to £10.2m.

Investment income declined by 34 per cent to £1.92m (£2.9m), with the company blaming lower interest rates "which continued to work through on the group's liquid assets."

The interim dividend is maintained at 3p, payable from earnings per share of 4.68p (7.62p losses).

As a result of the company's restructuring and reorganisation, which involved a charge of £4.38m last time, total expenses fell by 32 per cent to £20.5m (£30.2m).

Mr Burrill said that the benefits of the cost cutting were now being bolstered by the stability in the group's general business, with the non-marine business in particular encouraging.

However, Mr Clive Richards, the chairman, struck a cautious note. "It would be unwise to expect any early underlying increase in brokerage and fee income," he said.

Significant expansion potential for largest UK-owned vehicle maker LDV talks on east European link

By John Griffiths

LDV, the Birmingham-based van maker rescued from last year's crash of the Anglo-Dutch DAF commercial vehicles group, is in advanced negotiations for its vans to be assembled in eastern Europe and for the resumption of exports to west European markets.

A successful outcome for both sets of talks would provide significant expansion potential for LDV, which has become the biggest UK-owned vehicle maker as a result of the sale to BMW of Rover Group.

As Freight Rover, LDV was itself part of the former UK state-owned Rover Group until being hived off to DAF in 1987. LDV yesterday disclosed a further rise in profits and production levels, having already added 200 jobs since a management-led buy-out from the receivers in April last year.

The near 1,200 employees at the Washwood Heath plant were told that LDV made a pre-tax profit of £3.3m on a £72m turnover in the six months to June, compared with £2.8m on £60m in the company's first eight months of operations last year.

With the UK's light commercial vehicles market continuing on a firm recovery course, sales are up 16 per cent so far this year - predictions made by LDV that it would achieve a £100m turnover this year are already appearing conservative.

The company, whose 240m buy-out was backed by the St. Vincent capital group, Royal Bank of Scotland and United Dominions Trust, is investing £30m in improving manufacturing facilities and developing the Bulldog, a replacement for its existing van ranges which will appear in about 18 months' time.

LDV's own UK sales were up 25 per cent in the first eight months of the year and it has

twice increased output rates. The plant is currently producing 300 vans a week, compared with 200 in March, and total production this year is expected to reach 12,500 compared with a claimed break-even level of 9,000. LDV's UK current market share of around 12 per cent compares with just over 6 per cent at the time of the buy-out.

Agreement with LDV's as yet unnamed east European partner could be finalised within three or four months, after nearly a year of negotiating, Mr Allan Amey, LDV's chief executive, said yesterday.

The intended production site is understood to be in one of the former eastern block countries like Hungary or Czechoslovakia rather than Russia itself. LDV is also negotiating with three prospective distributors of its vehicles in western Europe, including DAF Trucks, the Dutch commercial vehicle operations rescued by the

Dutch and Belgian governments from the original DAF group's wreckage.

Before DAF collapsed in January last year, up to 7,000 of the Birmingham-built vans were being sold each year through its continental European dealerships.

LDV's intention is to conclude a west European distribution deal within six months, said Mr Amey, who in February was voted Midlands "businessman of the year". Continental Western Europe should be able to provide LDV with at least another 4,000 to 5,000 sales a year, according to Mr Amey. He refused to disclose the potential size of the east European venture but said: "We're getting pretty excited about it."

About 5 per cent of LDV's output is already exported, mainly outside Europe, and an assembly venture in South Africa is currently being explored.

British Steel in east Asian expansion

By Andrew Baxter

British Steel is continuing its expansion in east Asia, destined to be the main growth market for steel over the next decade, through the signing of a joint venture to establish a steel roll forming facility in Kuala Lumpur.

European Profiles, a British Steel subsidiary, is linking with Zelleco Holdings, a large Malaysian construction com-

pany. It brings the number of operations in British Steel's Asia-Pacific network to 12.

It recently opened an office in Ho Chi Minh City, Vietnam, and exports to the region are continuing to grow.

European Profiles, based near Swansea, is one of two profiling companies bought by British Steel from RTZ earlier this year. It has been exporting profiled steel cladding to the

east Asia for 12 years.

The new company, to be called European Profiles (Malaysia), will use steel from South Wales as its raw material.

Profiled steel cladding is used in the construction of power stations, and the new company's first order will be to supply 85,000 sq m of cladding to a power station project in Surabaya, Indonesia.

Exco on target with £28m but third quarter 'subdued'

By Simon Davies

Exco, the moneybroking company that returned to the stock market in July, yesterday announced profits in line with prospectus forecasts, but said that trading in the third quarter of the year had remained "subdued."

Pre-tax profits for the six months to June 30 rose by 31 per cent from £21.4m to £28m, marginally higher than the £27.5m forecast.

There were substantial increases in the contribution from the three moneybroking

businesses of spot foreign exchange, money markets and derivatives, while the fixed income securities broking continued to grow.

The company said that "banks around the world [are] adopting a more cautious approach to trading," and there had been little sign of recovery from the summer lull.

Exco operates a global business, but the bulk of earnings growth came from Europe, where operating profit more than doubled to £9.5m (£4.35m), aided by newly-ac-

quired CMS, in Zurich.

North America remained the largest contributor, with profits of £12m, up from £10.2m. Asia Pacific showed a marginal decline to £5.32m (£5.73m), reflecting uncertainty in Japan.

Turnover overall rose 22 per cent from £103m to £126m, while operating costs rose to £100m (£95.2m).

Earnings per share rose 25 per cent to 11.9p (9.5p). A delayed interim dividend will be paid in mid-January, representing a part payment of the final dividend.

However, Mr Clive Richards, the chairman, struck a cautious note. "It would be unwise to expect any early underlying increase in brokerage and fee income," he said.

Pittards back into the black at £1.1m midway

The closure of its clothing business enabled Pittards, the leather manufacturer, to return to the black with profits of £1.06m for the first half of 1994, compared with losses of £310,000.

Operating profits were £1.85m, against £835,000 which included losses of £637,000 on discontinued activities. In addition, the comparable pre-tax figure was struck after closure losses of £136,000.

Mr David Macdonald, chair-

man, said the outlook for the rest of the year was mixed. The gloving division had a reasonably full order book at satisfactory margins but the shoe and leathergoods side would continue to struggle with expensive raw material.

Turnover was £61.1m (£58.5m), including £207,000 (£3.94m) from discontinued activities. Earnings per share came out 3.8p (2.2p losses) and an interim dividend of 0.75p (nil) is declared.

Dragon Oil seeks £9.7m for Asian expansion

Dragon Oil, the Dublin-based exploration company, is seeking £9.7m through a placing and rights issue to expand its interests in east Asia.

As a result Sinoli Asia, a Hong Kong-based company, will take a stake of up to 26.9 per cent and four prominent Asian businessmen will join the board.

The company also reported post-tax profits of \$39,000 (£25,000) for the eight months to June 30 against losses of

\$192,000 for the six months to April 30 1993. Turnover was \$4.01m (\$37,000).

A total of 165m units, consisting of two shares and one warrant, are being placed initially with Sinoli at 4p.

Sinoli will be able to subscribe for a further 120m shares at 2p.

An underwriting rights issue is offering 56.8m units on the basis of one unit at 4p for every 26 ordinary shares held.

China

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If you want to know what is going on in the market, telephone James Barratt on 071 825 8233.

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Petróleo Argentina

San Jorge S.A.
Notice of Securityholders' Meeting

NOTICE IS HEREBY GIVEN to the holders of "Securities" of the US\$ 430,000,000 11% Second Mortgage Obligations due 1995 - 1998 (the "Securities") issued by Petróleo Argentina San Jorge S.A. (the "Company") that a Securityholders' Meeting (the "Meeting") will be held at 12:00 AM on October 3, 1994 at the Buenos Aires Convention Hotel, Room 100 de la Plata, San Martín No. 1223, San Martín, Buenos Aires, Argentina. If a quorum is not present, the Meeting shall be held at 12:00 AM on October 10, 1994 at the same place.

The Meeting shall be for the following purposes:

1. To consider and act upon certain proposed amendments to the Instrument dated February 6, 1993, among Petróleo Argentina San Jorge S.A. (the "Company") and the National Trust Corporation (the "Trust") and the Trust Agreement, and other matters, (the "Matters").

2. To consider and act upon certain proposed amendments to the Instrument dated February 6, 1993, among Petróleo Argentina San Jorge S.A. (the "Company") and the National Trust Corporation (the "Trust") and the Trust Agreement, and other matters, (the "Matters").

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COMPANY NEWS: UK

Aerostructures shares
dive 50p after warning

By David Blackwell

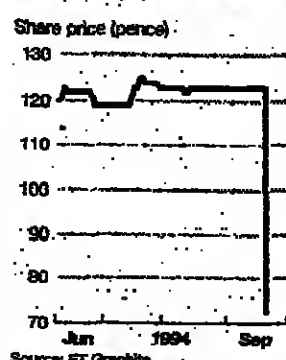
Shares in Aerostructures Hamble, the former British Aerospace aircraft components subsidiary floated last May, nosedived yesterday after a trading statement warned of difficulties with several contracts.

The shares, issued at 120p, fell by 50p to close at 70p. At the time of the float, four of the directors involved in the 1990 management buy-out from BAe sold 9.9m shares worth almost £3.5m. Mr Andy Barr, the chief executive, who retained a 5.93 per cent stake, sold 1.45m shares.

Yesterday's statement - described by one City analyst as "nebulous" - opened with a bald statement that British Aerospace, Aerostructures' biggest customer, had "published its interim results this morning."

Aerostructures - chaired by Lord King - has been working to reduce its dependency on its former owner, which accounted for 93 per cent of its business in 1990 and 78 per

Aerostructures Hamble



Source: FT Graphix

cent last year. However, the statement did not refer to any particular British Aerospace contract.

The company said that, while trading in the first half was broadly in line with expectations, "operational difficulties encountered recently have led to margins on a number of contracts being placed under pressure, adversely affecting the full-year result."

British Aerospace said yesterday that costs were being

cut at the Jetstream and Avro regional passenger aircraft businesses. The intention was to stem losses caused by reduced production volumes because of poor demand. It added that suppliers had agreed to price cuts.

Aerostructures has contracts to build parts for both the Avro RJ/146 regional jet and the Jetstream 61/ATP.

Aerostructures, which will report its interim results early next month, said the board was "acting to rectify the operational problems." It was also "examining the need for further action in the light of the continuing unfavourable conditions in the aerospace sector."

The prospectus, in which the directors described the long-term outlook for the civil aircraft market as "positive," showed that operating profit margins had been lifted from 8.5 per cent in 1991 to 11.3 per cent last year.

One analyst suggested yesterday that if BAe were losing money on its aircraft, it would not be pleased by such high margins at its subcontractors.

Photo-Me
shares dip
20p on fall
to £13.9m

By Peter Pearce

The market reacted critically to a fall in headline pre-tax profits at Photo-Me International, marking the shares of the world's largest photo-booth manufacturer and operator down 20p to 235p.

Pre-tax profits fell to £13.9m (£18.2m) in the year to April 30, though the group was keen to stress that operating profits rose, albeit modestly, from £23.5m to £31.3m and that group profits were up at £15.5m (£13.4m), after depreciation of £15.8m (£18.2m).

Below this the devaluation of sterling in the previous year contributed £4.15m to last year's figures, against a mere £33,000 this time.

Further there were exceptional costs of £1.67m arising from the group's merger with KIS of France, which was agreed by PMI's shareholders in February.

Although KIS was part of the group for only two months, PMI has stated its accounts as if it had been on board not only for the year under review but also the previous 12 months.

Mr Dan David, chairman, said that the merger with KIS, with which PMI had had a three-year relationship previously, had added "a new technological dimension," specifically Argentine, which freezes video images into high quality still photographs.

Mr David Miller, group managing director, added that a 15 per cent increase in revenue was expected from this new technology, derived from 10 per cent cheaper manufacturing costs, more customer choice and lower consumables.

Group turnover declined to £172.4m (£175m), after the sale of two "chunky, but distant" subsidiaries in Australia and New Zealand to local owners. Mr David said, though that they were still contributing to the group's profits.

The group currently has more than 18,000 photo-booths sold and serviced in more than 100 countries, of which PMI has agents in about 70.

Mr David expected the group to have some 19,700 in the current year, including 500 Image-maker booths, which create larger photos. PMI was also "cautiously excited" by the prospect of photographs on UK driving licences, which should be introduced during 1996.

Earnings per share emerged at 10.26p (11.55p) but the final dividend is lifted to 3.3p (3.3p) for a total payment up 0.2p at 4.2p.

Seafield plans to participate in the drilling of a further 16 wells in the UK and overseas before the end of 1995. The drilling activity is expected to erode the group's net cash position, although it Mr Witts said it would "remain cash positive" at the year-end. The Schooner field, in which Seafield has a 0.69 per cent fixed equity interest, is on track to produce its first gas in 1996.

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FT Surveys

Growth provided by car distribution but difficulties in clothing

Tibbett & Britten advances 11%

By Simon Davies

Tibbett & Britten, the distribution group, reported an 11 per cent increase in first-half profits, but failed to keep pace with expectations that the UK economic recovery would translate into increased revenues from its core business.

The shares fell 42p to 768p, after Tibbett revealed pre-tax profits of £12.6m (£11.4m) for the six months to July 2, on turnover up 15 per cent to £206m (£177m).

Mr John Harvey, chairman, said that "the present trading environment is tough, with margins generally under pressure." Most brokers marked down 1994 profit forecasts by some £1.5m to a new consensus of £27m.

However, the group's UK business has secured substantial new contracts, from companies including Mars and Jacobs Bakery, which bodes well for next year.

Profits growth for the period came primarily from Silcock Express, the car distributor purchased in late 1992 and strengthened by the purchase of Toleman in March. Divi-



John Harvey: trading is tough with margins under pressure

sional profits increased by £1.5m to 5.5m.

Tibbett & Britten Ltd, the core UK business, fared less well, with profits edging up to £7.1m (£7m). The subsidiary suffered from difficulties in its clothing network.

The group has been making a substantial push overseas, and the UK accounted for 71 per cent of revenues, compared with 97 per cent in 1991.

Tibbett & Britten International increased turnover by 62 per cent. Progress in its three main markets of Canada, South Africa and Portugal helped lift operating profit from £200,000 to £600,000.

Profit margins overseas remained razor thin, but Mr Harvey said this reflected the level of investment in new facilities.

He said the international

division should be able to achieve the 6.6 per cent profit margins of the UK, compared with 2 per cent now, but the improvement would be slowed by continuing investment.

Capital expenditure increased from £13.4m to £23m, bringing net borrowings to £33m. Mr Harvey suggested that the year end figure could rise to £55m.

The increase in the interim dividend to 5p (4.5p) is in proportion with earnings per share, up from 17.5p to 19.4p.

COMMENT

The danger with a premium stock market rating, is that investors expect earnings growth to match. Tibbett's shares remain at a 29 per cent premium to the stock market, and parts of its UK business are looking decidedly mature. Profits should hit £27m this year, representing a pie of 18.3. International expansion offers good longer-term prospects, and the management performance justifies a high stock market rating. However, it does not justify the current level, and the shares are likely to lag in the short-term.

Tilbury Douglas highlights
recovery with 11% rise

By Christopher Price

The recovery in the UK building market was once again highlighted yesterday when Tilbury Douglas, the construction group, reported an 11 per cent increase in pre-tax profits on continuing operations at £6.1m for the first six months of the year.

Overall, the pre-tax figure showed a fall from £12.8m, although this included the £6.8m proceeds from the sale of Douglas Concrete among the exceptional items.

Tilbury's equipment division was the driving force behind the growth, with pre-tax profits there increasing nearly threefold to £1.76m (£599,000) on turnover 17 per cent higher at £14.4m (£12.35m).

Mr Michael Bottler, chief executive, said that overseas

contracts had bolstered the performance, with the group providing the equipment needs for some high profile projects, such as the Ma Wan Viaduct project in Hong Kong.

Within group turnover ahead 18 per cent to £199.07m (£169.35m), construction accounted for £172.12m (£139.62m) - an increase of 23 per cent. However, profits declined 14 per cent to £3.01m (£3.52m). Mr Bottler blamed tighter margins, although he added that the benefit from the higher turnover would feed through to the profit line during the second half.

Profits in the Scottish housing division fell from £1.36m to £1.1m on slightly improved turnover of £7.58m (£7.57m). Mr Bottler said the situation remained tough, although he foresaw a slow improvement.

"Providing land prices are reasonably contained, Scottish housebuilding looks set for medium term growth," he said.

Construction work in hand was ahead 10 per cent at £215m, with mainstream building and specialist contracting showing improved order books.

Contracting in the civil engineering business was stalled by concerns in the water industry over regulatory issues, but the company expects work to begin picking up, following the recent issue of the Ofwat report.

The interim dividend was held at 10.5p, with the company expecting to pay a maintained total of 33p. Earnings per share came to 11.9p, against 26.9p.

The shares responded positively, closing 15p ahead at 563p.

Gas production rise helps
Seafield leap to £1.08m

By Peggy Hollinger

A sharp jump in gas production helped Seafield Resources, the USM-quoted exploration company, to announce a fivefold increase in net profits from £216,000 to £1.08m for the six months to June 30. Turnover rose 40 per cent from £3.01m to £4.2m.

The company warned that annual profits would not show such a substantial rise, owing to the nature of its gas contracts. The profits had been helped by a 60 per cent increase in production from its

main producing asset, the Victor field. However, this was sold at an average annual rate and so profits in the UK were expected to be similar to those achieved last year.

Profits were also helped by higher gas prices and lower losses in the US after disposals. Earnings per share rose from 0.4p to 2.1p. As in previous years, there was no interim dividend.

Mr Roger Witts, finance director, said the group was encouraged by its exploration success so far this year. Seafield made its second discovery

on the 21/16 North Sea block and won an interest in neighbouring acreage that was "potentially very significant for the company."

Seafield plans to participate in the drilling of a further 16 wells in the UK and overseas before the end of 1995. The drilling activity is expected to erode the group's net cash position, although it Mr Witts said it would "remain cash positive" at the year-end. The Schooner field, in which Seafield has a 0.69 per cent fixed equity interest, is on track to produce its first gas in 1996.

Dalgety expands in pet
food with Spanish buys

By David Blackwell

Dalgety, the food and agribusiness group that owns Spillers, yesterday bought two privately owned Spanish pet food companies as part of its strategy of expanding its European pet food business.

Last week, announcing a 7 per cent rise in pre-tax profits to £120.1m for the year to end June, the group said it would be seeking more acquisitions in continental Europe, where it will be focusing on food ingredients and pet foods.

The price of the Spanish deal was not revealed, but the

group is thought to have paid close to the two companies' combined annual turnover of £17m. Their combined assets are £11m and operating profits £1.5m.

Mr Richard Clothier, Dalgety chief executive, said the group had had no presence in Spain, where the pet food market is growing fast. Nido Industrial and Pet-Bon were well known brands, particularly in bird food.

Last year, Dalgety paid £42m for BP's Paragon Petcare, giving it access to the French, German, Dutch and Belgian markets.

Waverley loss
at £259,445

Waverley Mining Finance, the mining investment company which has changed its year end to June, reported pre-tax losses of £259,445 for the period to June 30. For the year to March 31 1993 there were losses of £58,411.

The company said this reflected the cost of professional advisers retained during the takeover of Westralian Resource Projects in March 1994 and the "technical assessment" of unquoted investment opportunities.

Losses per share rose to 1.8p (0.6p). Net asset value per 5p share was 40.9p at June 30 compared with 33p at March 31 1993.

Arcoelectric
surges to
£453,726

Investments made last year in new products and machinery have begun to bear fruit at Arcoelectric Holdings.

Pre-tax profits at the electrical components company more than tripled in the six months ended June 30, from £120,976 to £453,726, as turnover increased 18 per cent from £5.71m to £6.78m.

Earnings per share also increased more than threefold, from 1.27p to 4.27p. The interim dividend is 0.6075p (0.555p).

The company said that even with tougher competition

exports rose by up to 26.3 per cent and home sales were 7.7 per cent higher.

Henderson EuroTst
shows improvement

Henderson EuroTrust, a split level investment trust, raised net asset value by 10.5 per cent from 126.58p to 140.44p in the year ended July 31.

Net revenue for the year was £679,000 (£841,000 for 14 months) and earnings per share came to 3.86p (4.84p). The final dividend is 1.85p, making a total of 3.35p (3.2p).

Kleinwort Devpt
lifts net asset value

Kleinwort Development Fund

raised net asset value per share by 24 per cent from 354.92p to 439.85p in the 12 months to July 31 1994.

After administration expenses of £456,858 (£381,525) revenue before tax came to £1.02m (£842,241).

The dividend for the year has been raised by 5 per cent to 11p (10.9p), including a final of 8.25p. Earnings per share were 12.95p (10.29p).

Martin Currie
Pacific assets rise

The six months to August 31 at Martin Currie Pacific Trust ended with net asset value at 169.4p, up 21 per cent from 140.4p 12 months earlier. Income totalled £637,000 (£575,000). After interest and

management expenses totalling £541,000 (£641,000) net revenue was £46,000 (£168,000).

Earnings per share worked through at 0.12p (0.11p).

Tor net asset value
improves to £14.89

The net asset value per share of Tor Investment Trust, the split capital investment trust, rose from £13.60 to £14.89 at July 31, an increase of 9.5 per cent.

Net revenue for the year was up 11 per cent from £1.32m to £1.47m.

Earnings per income share were 36.28p (32.69p) and the dividend is maintained at 40p with a proposed 10p final. Some £149,000 has been transferred from revenue reserves.

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COMMODITIES AND AGRICULTURE

Resistance caps rises in precious metals markets

By Richard Mooney

Gold and silver prices made further gains yesterday before hitting overhead resistance. During the London bullion market's afternoon "fixing" the gold price was tried as high as \$395.50 a troy ounce, but that proved to much and it eased to \$394.90, the highest fix since January 5. By the close the price had drifted to \$394.60 an ounce, up 80 cents on the day. In the absence of the Tokyo investment fund buying that had pushed the price upwards on Tuesday a day of consolidation was to be expected, dealers told the Reuters news agency. Some thought a retreat to the \$390.50-\$391.00 area, where a "chart gap" had been left by Tuesday's sharp rise, was on the cards if the market failed to break strong resistance above \$395.50. But others pointed to good physical inter-

est supporting the market around \$393. The silver price was fixed in the morning at \$67.15 cents a troy ounce, its highest price since May 24, but it slid away from a test of resistance at 570 cents to 562 cents, up just 2 cents on balance. One analyst suggested to Reuters that the attempted break-out by gold and silver had come too early in the day. "It leaves them open to retrace-ment," he said. Palladium achieved its highest fix since May 16, 1989 at \$156.25 an ounce, encouraged by tight supplies and continuing good off-take from the electronics industry. "The market's fundamentals are the key," said one analyst. The platinum market was also buoyant, although it was held within its recently-set price range.

Western Mining joins Cuban nickel venture

By Nikki Tait in Sydney

Western Mining Corporation, the Australian resources group, announced yesterday that it had reached agreement in principle with Cuba's state-owned Commercial Caribbean Nickel company, to assess and possibly develop the Pinar de Mayari West nickel deposit. The deposit lies in the Holguin province. WMC said that preliminary data on the near-surface deposit provided by CCN suggested "a significant nickel laterite resource estimated to contain in excess of 200m tonnes of ore, at a grade of greater than 1 per cent contained nickel and 0.1 per cent contained cobalt". WMC will be able to earn a 65 per cent interest in the joint

venture, by funding a drilling programme, metallurgical test work, and a feasibility study, with CCN holding the remaining 35 per cent. The drilling programme could start in a matter of months. Several Canadian mining companies - including Sheritt, the nickel and cobalt producer - have unveiled plans or joint ventures in Cuba recently, and others are believed to be seeking a foothold there. US companies are barred by the longstanding trade embargo. Cuba is relatively rich in resources and some estimates suggest that it may house over one-tenth of the world's known nickel resources. WMC has major nickel operations in Western Australia.

Stop-go producers put jute workers through the mill

A West Bengal union is striving to get one of the 'black sheep' operations reopened, writes Kunal Bose

For many years anarchy has reigned in some jute mills in West Bengal, where most of India's jute industry is concentrated. These "black sheep" mills, as the Indian Jute Mills Association describes them, produce jute goods only when the market is favourable. But while this stop-go management approach causes economic hardship to the workers it does not provoke strong protests from the trade unions as the migrant workers from Bihar, Uttar Pradesh and Orissa who constitute the majority of the labour force return to their villages during the frequent closures of the mills to work in the fields. The recalcitrant mills broke away from the JMA one by one because they would not submit to any kind of discipline. According to an JMA official, a tripartite agreement involving the industry, the unions and the West Bengal government spells out the wages and other benefits of the workers. But some jute mill managements will have nothing to do with this agreement. They make deals with the union leaders at the mill level to deny the workers full wages. Moreover, they habitually

default in the payment of provident fund and gratuity to the workers. The association is angry with these mills for causing distortions in the local jute goods market. Taking advantage of their lower costs of production compared with the JMA members, they have been regularly offering discounts against the listed prices of jute goods. "The losers are the ones which are meeting the dues of the workers in full," complains the JMA official. Even though the Left Front, dominated by the Marxist Communist Party of India, has been in power in West Bengal for nearly 15 years, the government has done little to give relief to the workers or to the mills remaining within the JMA fold. The problem has now become a major national issue, however, much to the embarrassment of the Left Front government, because of the relentless struggle by over 3,000 workers of Kanoria Jute over the past nine months to get the mill at Phulewara reopened. The mill is closed on November 26 last year. Unlike in the other jute mills in the state, an overwhelming majority of workers of Kanoria Jute hail

from the surrounding 52 villages. "Since the Kanoria workers have nothing else to fall back upon, they are working to a one-point programme of reopening the mill on respectable terms," says Mr Purnendu Bose, a member of the advisory committee of the Kanoria Jute Fighting Workers Union. These workers have set quite a few milestones in West Bengal's trade union movement. "KJFWU was formed in February last year when the workers found that the four registered unions, including two owing allegiance to the Left Front government were not able to protect their interests," explains Mr Nazim Rahman, its general secretary. "The new union, born because of omission of the existing unions, enjoys the support of more than 90 per cent of the workers." Although the KJFWU leaders insisted that they wanted to avoid a confrontation with the state authorities and the other unions at all cost, they made the big mistake of forcing their way into the mill and starting production of jute goods using the raw jute lying in the godown. The Calcutta High Court ordered the

KJFWU to desist from producing and selling jute goods. Mr Jyoti Basu, chief minister of West Bengal and an active trade union leader, has made it clear that the forcible takeover of the mill offers no solution to the Kanoria Jute crisis. "Such moves will only confuse the workers," he warns. The minister is not finding it at all easy to attract industrial investment to West Bengal and he knows only too well that a few more cases of forcible takeover of factories by the workers would scare away the potential investors. Moreover, he cannot but take note of the humiliation suffered by the Marxist union at Kanoria Jute. The mill is also a major embarrassment for the Kanoria, an important Indian business family that is successfully running three other jute mills - Ludlow, Cheviot and Relliance - besides other industrial operations. The Kanoria hought the mill from the Mahatlas in 1974 and ran it till September 1987, when a lockout was declared. Unlike the other three mills, Kanoria Jute was not modernised. Neither did it take up pro-

duction of high added value jute materials. Like so many other sick jute mills in West Bengal, Kanoria was taken over by a raw jute trader, who before reopening the unit in January 1991 made the unions agree to a cut in wages and a reduced work force. The state government did not oppose the move as it wanted the mill to be reopened somehow. Anticipating a prolonged labour unrest, the Kanoria pleaded with the new promoter to change the name of the jute mill. The fear of the Kanoria had come true, but the name of the mill remains unchanged. Aberrations like the futile attempt forcibly to take possession of the mill notwithstanding, the KJFWU is doggedly pursuing with the federal and state government and the Bureau of Industrial and Financial Reconstruction its demand for the reopening of the mill. According to Mr Rahman, "the existing promoter is welcome to run the mill provided he clears all past dues of the workers and respects the labour laws. The mill may be handed over to a new promoter if the existing promoter does not want to run it. We will be happy if the government takes over the unit. We are also

ready to run the mill as a workers' co-operative or as a joint venture with a private promoter". Both the federal government and the BIFR are well disposed to the idea of a new promoter contributing 60 per cent of the equity capital and the workers bringing in 40 per cent. In fact, the government has indicated that it may give loans to the workers equivalent to their contribution to the equity capital. A professional with many years of experience in jute has agreed to play the role of the new promoter and he is acceptable to the KJFWU. In the meantime, the KJFWU has been able to mobilise the support of the intellectuals all over the country for the Kanoria workers' movement. "We have not put forward any new economic demands. We want the mill to be reopened and run professionally. The workers must get their dues and be able to work with dignity," says Mr Bose. Perhaps the mill will reopen. But unless the new management is able to modernise the factory, introduce new products and improve productivity, there will be no future for Kanoria Jute.

Indian sugar output forecast to rise by 24%

By Shiraz Sidhvi in New Delhi

India's sugar production will rise by 24 per cent this year to 9.8m tonnes, reversing the steady decline of the past three years, according to the food ministry. A further spurt is expected to push output to 12.2m tonnes in the next sugar season starting in October. The increase in production comes as the nation's sugar industry launched a campaign for complete deregulation of the sugar market. The Indian Sugar Mills Association believes that production could rise to 13m tonnes if the industry were deregulated. This could save Rs20bn (£400m)

a year in wasted output and import bills. Isma has been galvanising public opinion by placing large advertisements in India's daily newspapers urging the public to support the reforms they have suggested to the government, beginning with a policy of complete deregulation for the sugar industry. The association estimates that half of the money lost through current policies "goes down the drain", in the form of sucrose left unrecovered by some processors. "Unfortunately, this happens in a scenario where the established capacity of sugar manufacturers is left utilised, due to a lack of cane," Isma says.

Another Rs10bn goes on import costs, caused by the production shortfalls of sugar units. An equitable distribution of cane between all processors would minimise the diversion of cane, and allow production units fully to utilise capacity and expand further to take advantage of economies of scale, which would in turn, bring down sugar prices. The association has also urged the government to announce a clear-cut policy on the creation of buffer stocks when there is a bumper crop, for effective utilisation during times of shortage. An official of the food ministry said the government was examining the proposals for-

warded by the association. "But it will be some time before the sugar industry can be fully decontrolled," he said. "The government would be exposing itself to rampant inflation if this essential commodity were out of its control," the official said. The government currently distributes sugar through subsidised public distribution and a system of ration cards. Though sugar is freely available on the open market, the price difference is significant. The association says decontrol will stabilise prices and decrease the disparity between the price of sugar for public distribution, and free market sugar prices.

MARKET REPORT Coffee futures rally

COFFEE futures closed firmer in London yesterday after a choppy run marked by producer selling and trade and arbitrage buying, dealers said. "The market was erratic in this trade but it did perform better than expected this morning," one said. By the close the November position at the London Commodity Exchange, which had earlier dipped to \$4.063 a tonne, stood at \$4.081, within 50 of the day's high. The latest weather forecast from the US-based Weather Services Corporation, which said Brazil's hot, dry weather was expected to continue through the next five days,

added a sense of urgency to the market, a trader said. A mid-afternoon rise in London Metal Exchange base metals was not maintained and when COPPER stalled most other prices lost their way. Three months ALUMINUM recorded a fresh 3½-year high of \$1,624 a tonne before profit-taking and speculative selling snuffed out the move. NICKEL prices mostly fluctuated in line with the overall trend. LEAD continued to make slow progress back up to the \$630-a-tonne level and another attempt at recent 2-year highs. Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

CASH 3 months

Close 1600-01 1623.5-4.5

Previous 1595.5-6.5 1616-7

High/Low 1598 1624/1616

AM Official 1597.5-6.0 1613.5-20

Kerb close 254.740 1621-2

Open int. 59,031

Total daily turnover 59,031

ALUMINIUM ALLOY (\$ per tonne)

Close 1633-8 1653-9

Previous 1610-5 1632-4

High/Low 1610-5 1653/1645

AM Official 1625-30 1645-50

Kerb close 2,979 1633-3

Open int. 2,979

Total daily turnover 2,979

LEAD (\$ per tonne)

Close 511-2 625-8

Previous 510.5-1.5 625.5-6.8

High/Low 510.5-1.5 625/625

AM Official 518.5-11.8 624-4.5

Kerb close 41,433 624-6

Open int. 3,823

Total daily turnover 3,823

NICKEL (\$ per tonne)

Close 6435-45 6535-40

Previous 6420-30 6520-3

High/Low 6420-30 6520/6525

AM Official 6425-30 6530-35

Kerb close 67,916 6530-5

Open int. 14,619

Total daily turnover 14,619

TIN (\$ per tonne)

Close 5310-20 5290-95

Previous 5290-40 5270-95

High/Low 5290-40 5305/5345

AM Official 5271-3 5330-55

Kerb close 16,894 5330-85

Open int. 4,678

Total daily turnover 4,678

ZINC, special high grade (\$ per tonne)

Close 1001.5-2.8 1025-6

Previous 1000.5-4.5 1027-8

High/Low 1000.5-4.5 1028/1029

AM Official 1000.5-1.0 1024-4.5

Kerb close 96,616 1024-5

Open int. 19,340

Total daily turnover 19,340

COPPER, grade A (\$ per tonne)

Close 2518-9 2537-8

Previous 2508-10 2529-9

High/Low 2508-10 2531/2525

AM Official 2515-15 2531-34

Kerb close 212,734 2536-9

Open int. 71,694

Total daily turnover 71,694

LME Closing 5/8 ratio: 1.5782

LME Closing 5/8 ratio: 1.5782

Spot 1.577 3 months 1.575 6 months 1.571 9 months 1.565

SPECIAL 5/8 ratio: 1.5782

HIGH GRADE COPPER (COMEX)

Close 122.15 123.00

Previous 122.15 123.00

High/Low 122.15 123.00

AM Official 122.15 123.00

Kerb close 115.90 123.00

Open int. 115.90

Total daily turnover 115.90

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Settle price change High Low

Sep 394.1 +0.5 395.0 395.0

Oct 394.6 +0.5 395.4 394.1

Nov 394.2 +0.5 -

Dec 394.8 +0.5 -

Jan 394.8 +0.5 -

Feb 394.8 +0.5 -

Mar 394.8 +0.5 -

Apr 394.8 +0.5 -

May 394.8 +0.5 -

Jun 394.8 +0.5 -

Jul 394.8 +0.5 -

Aug 394.8 +0.5 -

Total 394.8 +0.5 -

PLATINUM NYMEX (500 Troy oz; \$/troy oz)

Settle price change High Low

Oct 413.5 -1.2 422.8 418.1

Nov 423.5 -1.2 427.4 422.5

Dec 423.5 -1.2 430.5 423.5

Jan 430.8 -1.2 -

Feb 430.8 -1.2 -

Mar 430.8 -1.2 -

Apr 430.8 -1.2 -

May 430.8 -1.2 -

Jun 430.8 -1.2 -

Jul 430.8 -1.2 -

Aug 430.8 -1.2 -

Total 430.8 -1.2 -

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Settle price change High Low

Sep 155.25 -2.10 156.50 156.00

Oct 156.25 -2.10 158.50 158.00

Nov 157.00 -2.10 158.25 158.00

Dec 158.00 -2.10 -

Jan 158.00 -2.10 -

Feb 158.00 -2.10 -

Mar 158.00 -2.10 -

Apr 158.00 -2.10 -

May 158.00 -2.10 -

Jun 158.00 -2.10 -

Jul 158.00 -2.10 -

Aug 158.00 -2.10 -

Total 158.00 -2.10 -

SILVER COMEX (100 Troy oz; \$/troy oz)

Settle price change High Low

Sep 598.5 -0.5 599.0 598.5

Oct 598.5 -0.5 -

Nov 598.5 -0.5 -

Dec 598.5 -0.5 -

Jan 598.5 -0.5 -

Feb 598.5 -0.5 -

Mar 598.5 -0.5 -

Apr 598.5 -0.5 -

May 598.5 -0.5 -

Jun 598.5 -0.5 -

Jul 598.5 -0.5 -

Aug 598.5 -0.5 -

Total 598.5 -0.5 -

CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

Settle price change High Low

Nov 17.25 -0.08 17.32 17.12

Dec 17.40 -0.04 17.47 17.30

Jan 17.53 -0.03 17.57 17.45

Feb 17.53 -0.03 17.57 17.45

Mar 17.53 -0.03 17.57 17.45

Apr 17.53 -0.03 17.57 17.45

May 17.53 -0.03 17.57 17.45

Jun 17.53 -0.03 17.57 17.45

Jul 17.53 -0.03 17.57 17.45

Aug 17.53 -0.03 17.57 17.45

GRAINS AND OIL SEEDS

WHEAT LCE (\$ per tonne)

Settle price change High Low

Sep 108.55 +0.05 108.50 108.50

Oct 108.55 +0.05 108.50 108.50

Nov 108.55 +0.05 108.50 108.50

Dec 108.55 +0.05 108.50 108.50

Jan 108.55 +0.05 108.50 108.50

Feb 108.55 +0.05 108.50 108.50

Mar 108.55 +0.05 108.50 108.50

Apr 108.55 +0.05 108.50 108.50

May 108.55 +0.05 108.50 108.50

Jun 108.55 +0.05 108.50 108.50

Jul 108.55 +0.05 108.50 108.50

Aug 108.55 +0.05 108.50 108.50

Total 108.55 +0.05 108.50 108.50

WHEAT CBT (5,000 US gal; \$/5,000 gal)

Settle price change High Low

Sep 394.0 +1.2 395.4 394.0

Oct 394.0 +1.2 395.4 394.0

Nov 394.0 +1.2 395.4 394.0

Dec 394.0 +1.2 395.4 394.0

Jan 394.0 +1.2 395.4 394.0

Feb 394.0 +1.2 395.4 394.0

Mar 394.0 +1.2 395.4 394.0

Apr 394.0 +1.2 395.4 394.0

May 394.0 +1.2 395.4 394.0

Jun 394.0 +1.2 395.4 394.0

Jul 394.0 +1.2 395.4 394.0

Aug 394.0 +1.2 395.4 394.0

Total 394.0 +1.2 395.4 394.0

MAIZE CBT (5,000 US gal; \$/5,000 gal)

Settle price change High Low

Sep 210.4 -0.2 210.6 210.4

Oct 210.4 -0.2 210.6 210.4

Nov 210.4 -0.2 210.6 210.4

Dec 210.4 -0.2 210.6 210.4

Jan 210.4 -0.2 210.6 210.4

Feb 210.4 -0.2 210.6 210.4

Mar 210.4 -0.2 210.6 210.4

Apr 210.4 -0.2 210.6 210.4

May 210.4 -0.2 210.6 210.4

LONDON STOCK EXCHANGE

MARKET REPORT

Further setback follows US housing statistics

By Terry Byland,
UK Stock Market Editor

Interest rate prospects continued to overshadow UK equities yesterday and a brief rally was sharply reversed after Wall Street and US Federal Reserve reacted to an unexpected rise in the latest statistics on US housing starts. Markets focused on the chances of a rise in US rates at next week's meeting of the Federal Reserve's Open Market Committee.

The reversal of the market's trend in the second half of the session blotted out an optimistic response to the news that growth in German M3 money supply had moderated to 8.2 per cent in August, thus cooling, at least temporarily, fears that the Bundesbank might feel obliged to tighten rates. An improvement in

UK government bonds had been largely eliminated by the close.

At the final reading of 3,014.6, the FT-SE 100 Share Index showed a further loss of 22.5 points. Although trading volume was not heavy, the mood of the market appeared to become more gloomy yesterday.

Kleinwort Benson Securities, the London securities house, sharply cut its forecast for 1995 UK corporate earnings to only 8 per cent — now the lowest in the City and barely half that of the consensus prediction. Mr Edmund Warner of Kleinwort fears that profit forecasts from market analysts will soon be tilted towards profits downgrades, as cost and pricing pressures affect company earnings. Kleinwort has trimmed 1994 growth earnings forecasts for non-financial companies

from 17 per cent to 15 per cent. The Confederation of British Industries, predicting some slowdown from the consumer side, forecast growth of around 2.5 per cent in domestic GDP next year, slightly under forecasts from the UK Treasury. There were also suggestions in the stock market than one of the largest lenders to the property and building industries was reining in loan policies to the sector.

The FT-SE Mid 250 Index fell 14.4 to 3,870.1. Another sizeable trading programme, weighted to the sell side and covering a wide range of Footsie and non-Footsie stocks was reported. The previous session featured a similar sell programme, and there have been suggestions that fund managers, particularly from continental Europe have been switching out of UK equities and

into British government bonds. Some analysts believe that domestic conditions are ripe for a rally in the UK stock market, although the worries over the outlook for rates in the US and Germany is seen as a severe problem for UK gilt yields.

One analyst urged equity investors to "pray" that value in the gilt-edged market is realised.

However, Seag volume of 594.8m shares yesterday was not unduly heavy, and compared with 800.8m on Tuesday. Retail, or genuine customer interest in UK equities, was worth £1.33bn on Tuesday, implying that, if not heavy, trading by the big investment funds.

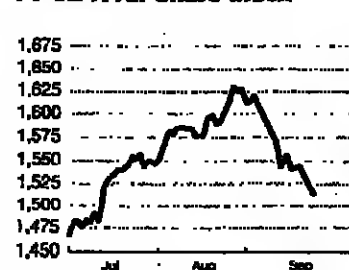
The market was hit by weakness in British Aerospace after the half time report found little favour with sector analysts. The dollar stocks gave ground as the UK market kept

a close eye on the Dow Industrial Average, which was 19 points down in UK hours, following its heavy setback in the previous session.

The general picture was fairly gloomy at the close, with only handful of special situations offering relief from the generally red picture on the screens in the City trading rooms.

Strategists said that worries over the near term outlook for interest rates in the US are now likely to dominate a stock market increasingly nervous about the dangers that domestic base rates might be forced higher again before the end of the year. Doubts over UK company earnings prospects will also unsettle investors as the market moves into the final quarter of the year.

FT-SE-A All-Share Index



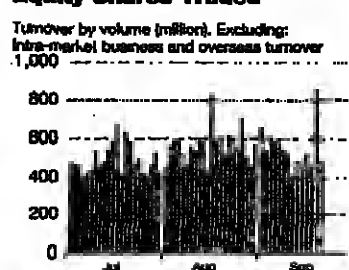
Key Indicators

Indicators and ratios	Value	% Chg
FT-SE 100	3014.6	-22.5
FT-SE Mid 250	3870.1	-14.4
FT-SE-A 350	1624.4	-10.2
FT-SE-A All-Share	1516.33	-9.89
FT-SE-A All-Share yield	3.96	(3.93)

Best performing sectors

1 Tobacco	+1.0
2 Gas Distribution	+1.0
3 Electricity	+0.9
4 Printing, Paper & Pkg	+0.8
5 Household Goods	+0.6

Equity Shares Traded



Worst performing sectors	% Chg
1 Insurance	-2.1
2 Merchant Banks	-2.1
3 Diversified Inds	-1.5
4 Life Assurance	-1.4
5 Other Ser. & Bus.	-1.3

Bullish views on Gas

At least two of the market's leading broking houses, notably BZW and Lehman Bros were promoting British Gas shares yesterday, driving the stock price up 3 to 304p on relatively heavy turnover of 8.1 shares ahead of the strategy meeting scheduled for September 29.

BZW, in a 50-page circular on the stock, described Gas as

having the "lowest political risk of all utilities"; that "its current cost cutting plans and growing exploration and production profits will support five to seven per cent nominal dividend growth per annum"; that the extra cost cutting and share buy-backs in capital expenditure; and that four of BZW's valuation methods suggest 10 per cent upside in the stock.

Other energy specialists, however, said the shares had moved high enough in the short term. One said that the market had become fixated with dividend policy which may not be forthcoming in the September 29 meeting. "If the market doesn't hear what it

wants to hear on September 29, the shares are heavily overbought," he said.

BAe disappoints

British Aerospace swung about wildly, trading 9.5m shares following heavy profit downgrades from a number of major securities houses in the wake of the company's half-year results.

The shares closed a full 26 lower at 445p after a low point at one stage in the morning session of 439p as selling came close to panic levels.

BAe's interim figures were broadly in line with market hopes and the interim dividend

gain was above expectations. But analysts departed from a morning meeting with the company's management in troubled mood.

BZW was among the most bearish, downgrading its pre-tax profits forecast for 1994 from £175m to £160m. The broker described Vodafone shares as "very cheap" and said it expected the stock to respond vigorously to an expected bout of buying interest from UK institutions.

Vodafone advances

Vodafone shares continued their recovery, and were given a push yesterday by Hoare Govett, the stockbroker, who said the stock would respond

very quickly to sharply increasing subscriber numbers for the third quarter, expected on October 3.

Hoare's telecoms team is looking for Vodafone to announce a customer base of some 120,000, more than twice that of the same time last year. The broker described Vodafone shares as "very cheap" and said it expected the stock to respond vigorously to an expected bout of buying interest from UK institutions.

US selling, which has been strongly evident in recent weeks, has largely dried up, dealers said.

Vodafone shares edged up 3 to 1867p, after 185p, with turnover reaching 1.2m shares.

Northern Electricity was the star turn in a generally strong Rec sector, the shares rising up 19 to 817p after the company activated its share buy-back programme. BZW, Northern's broker, was said to have bought in around 10m shares but was acting as an agent for the group in a move seen by dealers as a tender offer.

The Northern buy back offer, was viewed by marketmakers as a big switching operation and especially lucrative for the market's big gross funds. Other buy-back moves yesterday included South Wales acquiring 225,000 shares at 817p.

Barclays Bank shares took a drubbing in the general market malaise, sliding 10p to 587p; stories circulating in the stock market suggested that the bank had moved recently to curtail its lending to property

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (1) British Gas, (2) British Telecom, (3) British Airways, (4) British Airways, (5) British Airways, (6) British Airways, (7) British Airways, (8) British Airways, (9) British Airways, (10) British Airways, (11) British Airways, (12) British Airways, (13) British Airways, (14) British Airways, (15) British Airways, (16) British Airways, (17) British Airways, (18) British Airways, (19) British Airways, (20) British Airways, (21) British Airways, (22) British Airways, (23) British Airways, (24) British Airways, (25) British Airways, (26) British Airways, (27) British Airways, (28) British Airways, (29) British Airways, (30) British Airways, (31) British Airways, (32) British Airways, (33) British Airways, (34) British Airways, (35) British Airways, (36) British Airways, (37) British Airways, (38) British Airways, (39) British Airways, (40) British Airways, (41) British Airways, (42) British Airways, (43) British Airways, (44) British Airways, (45) British Airways, (46) British 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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont[illegible]

Futurum Inc.	24	40	84
Gap	24	24	28

Zoro Div P1	137	142 1/2
GT Asset	253	303
Guatemala Adm. &M	33nd	87
Zoro P1	86 1/2	90
Guatemala Div Inc	148	143 1/2
Zoro P1	101	101
Guatemala Div Inc	136 1/2	123 1/2
Zoro P1	96	96
Guatemala Div Inc	141	121
Zoro P1	208	208
Guatemala Div Inc	76	76
Zoro P1	112	112
Guatemala Div Inc	152 1/2	152 1/2
Zoro P1	160nd	160nd
Guatemala Div Inc	120	120
Zoro P1	275	275
Guatemala Div Inc	57 1/2	57 1/2
Zoro P1	172	172
Guatemala Div Inc	184 1/2	173 1/2
Zoro P1	100nd	110 1/2
Guatemala Div Inc	176	200
Zoro P1	184 1/2	173 1/2
Guatemala Div Inc	26 1/2	27
Zoro P1	26 1/2	27

Germán Sola	40	283	-1	217
Warrants		111	..	121
Monroe Inc	24	47		531

[illegible]

Cap	2500	-15	2778
Income Inc.	2012	—	46

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	9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1.17	1.18	1.19	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.42	1.43	1.44	1.45	1.46	1.47	1.48	1.49	1.50	1.51	1.52	1.53	1.54	1.55	1.56	1.57	1.58	1.59	1.60	1.61	1.62	1.63	1.64	1.65	1.66	1.67	1.68	1.69	1.70	1.71	1.72	1.73	1.74	1.75	1.76	1.77	1.78	1.79	1.80	1.81	1.82	1.83	1.84	1.85	1.86	1.87	1.88	1.89	1.90	1.91	1.92	1.93	1.94	1.95	1.96	1.97	1.98	1.99	2.00	2.01	2.02	2.03	2.04	2.05	2.06	2.07	2.08	2.09	2.10	2.11	2.12	2.13	2.14	2.15	2.16	2.17	2.18	2.19	2.20	2.21	2.22	2.23	2.24	2.25	2.26	2.27	2.28	2.29	2.30	2.31	2.32	2.33	2.34	2.35	2.36	2.37	2.38	2.39	2.40	2.41	2.42	2.43	2.44	2.45	2.46	2.47	2.48	2.49	2.50	2.51	2.52	2.53	2.54	2.55	2.56	2.57	2.58	2.59	2.60	2.61	2.62	2.63	2.64	2.65	2.66	2.67	2.68	2.69	2.70	2.71	2.72	2.73	2.74	2.75	2.76	2.77	2.78	2.79	2.80	2.81	2.82	2.83	2.84	2.85	2.86	2.87	2.88	2.89	2.90	2.91	2.92	2.93	2.94	2.95	2.96	2.97	2.98	2.99	3.00	3.01	3.02	3.03	3.04	3.05	3.06	3.07	3.08	3.09	3.10	3.11	3.12	3.13	3.14	3.15	3.16	3.17	3.18	3.19	3.20	3.21	3.22	3.23	3.24	3.25	3.26	3.27	3.28	3.29	3.30	3.31	3.32	3.33	3.34	3.35	3.36	3.37	3.38	3.39	3.40	3.41	3.42	3.43	3.44	3.45	3.46	3.47	3.48	3.49	3.50	3.51	3.52	3.53	3.54	3.55	3.56	3.57	3.58	3.59	3.60	3.61	3.62	3.63	3.64	3.65	3.66	3.67	3.68	3.69	3.70	3.71	3.72	3.73	3.74	3.75	3.76	3.77	3.78	3.79	3.80	3.81	3.82	3.83	3.84	3.85	3.86	3.87	3.88	3.89	3.90	3.91	3.92	3.93	3.94	3.95	3.96	3.97	3.98	3.99	4.00	4.01	4.02	4.03	4.04	4.05	4.06	4.07	4.08	4.09	4.10	4.11	4.12	4.13	4.14	4.15	4.16	4.17	4.18	4.19	4.20	4.21	4.22	4.23	4.24	4.25	4.26	4.27	4.28	4.29	4.30	4.31	4.32	4.33	4.34	4.35	4.36	4.37	4.38	4.39	4.40	4.41	4.42	4.43	4.44	4.45	4.46	4.47	4.48	4.49	4.50	4.51	4.52	4.53	4.54	4.55	4.56	4.57	4.58	4.59	4.60	4.61	4.62	4.63	4.64	4.65	4.66	4.67	4.68	4.69	4.70	4.71	4.72	4.73	4.74	4.75	4.76	4.77	4.78	4.79	4.80	4.81	4.82	4.83	4.84	4.85	4.86	4.87	4.88	4.89	4.90	4.91	4.92	4.93	4.94	4.95	4.96	4.97	4.98	4.99	5.00	5.01	5.02	5.03	5.04	5.05	5.06	5.07	5.08	5.09	5.10	5.11	5.12	5.13	5.14	5.15	5.16	5.17	5.18	5.19	5.20	5.21	5.22	5.23	5.24	5.25	5.26	5.27	5.28	5.29	5.30	5.31	5.32	5.33	5.34	5.35	5.36	5.37	5.38	5.39	5.40	5.41	5.42	5.43	5.44	5.45	5.46	5.47	5.48	5.49	5.50	5.51	5.52	5.53	5.54	5.55	5.56	5.57	5.58	5.59	5.60	5.61	5.62	5.63	5.64	5.65	5.66	5.67	5.68	5.69	5.70	5.71	5.72	5.73	5.74	5.75	5.76	5.77	5.78	5.79	5.80	5.81	5.82	5.83	5.84	5.85	5.86	5.87	5.88	5.89	5.90	5.91	5.92	5.93	5.94	5.95	5.96	5.97	5.98	5.99	6.00	6.01	6.02	6.03	6.04	6.05	6.06	6.07	6.08	6.09	6.10	6.11	6.12	6.13	6.14	6.15	6.16	6.17	6.18	6.19	6.20	6.21	6.22	6.23	6.24	6.25	6.26	6.27	6.28	6.29	6.30	6.31	6.32	6.33	6.34	6.35	6.36	6.37	6.38	6.39	6.40	6.41	6.42	6.43	6.44	6.45	6.46	6.47	6.48	6.49	6.50	6.51	6.52	6.53	6.54	6.55	6.56	6.57	6.58	6.59	6.60	6.61	6.62	6.63	6.64	6.65	6.66	6.67	6.68	6.69	6.70	6.71	6.72	6.73	6.74	6.75	6.76	6.77	6.78	6.79	6.80	6.81	6.82	6.83	6.84	6.85	6.86	6.87	6.88	6.89	6.90	6.91	6.92	6.93	6.94	6.95	6.96	6.97	6.98	6.99	7.00	7.01	7.02	7.03	7.04	7.05	7.06	7.07	7.08	7.09	7.10	7.11	7.12	7.13	7.14	7.15	7.16	7.17	7.18	7.19	7.20	7.21	7.22	7.23	7.24	7.25	7.26	7.27	7.28	7.29	7.30	7.31	7.32	7.33	7.34	7.35	7.36	7.37	7.38	7.39	7.40	7.41	7.42	7.43	7.44	7.45	7.46	7.47	7.48	7.49	7.50	7.51	7.52	7.53	7.54	7.55	7.56	7.57	7.58	7.59	7.60	7.61	7.62	7.63	7.64	7.65	7.66	7.67	7.68	7.69	7.70	7.71	7.72	7.73	7.74	7.75	7.76	7.77	7.78	7.79	7.80	7.81	7.82	7.83	7.84	7.85	7.86	7.87	7.88	7.89	7.90	7.91	7.92	7.93	7.94	7.95	7.96	7.97	7.98	7.99	8.00	8.01	8.02	8.03	8.04	8.05	8.06	8.07	8.08	8.09	8.10	8.11	8.12	8.13	8.14	8.15	8.16	8.17	8.18	8.19	8.20	8.21	8.22	8.23	8.24	8.25	8.26	8.27	8.28	8.29	8.30	8.31	8.32	8.33	8.34	8.35	8.36	8.37	8.38	8.39	8.40	8.41	8.42	8.43	8.44	8.45	8.46	8.47	8.48	8.49	8.50	8.51	8.52	8.53	8.54	8.55	8.56	8.57	8.58	8.59	8.60	8.61	8.62	8.63	8.64	8.65	8.66	8.67	8.68	8.69	8.70	8.71	8.72	8.73	8.74	8.75	8.76	8.77	8.78	8.79	8.80	8.81	8.82	8.83	8.84	8.85	8.86	8.87	8.88	8.89	8.90	8.91	8.92	8.93	8.94	8.95	8.96	8.97	8.98	8.99	9.00	9.01	9.02	9.03	9.04	9.05	9.06	9.07	9.08	9.09	9.10	9.11	9.12	9.13	9.14	9.15	9.16	9.17	9.18	9.19	9.20	9.21	9.22	9.23	9.24	9.25	9.26	9.27	9.28	9.29	9.30	9.31	9.32	9.33	9.34	9.35	9.36	9.37	9.38	9.39	9.40	9.41	9.42	9.43	9.44	9.45	9.46	9.47	9.48	9.49	9.50	9.51	9.52	9.53	9.54	9.55	9.56	9.57	9.58	9.59	9.60	9.61	9.62	9.63	9.64	9.65	9.66	9.67	9.68	9.69	9.70	9.71	9.72	9.73	9.74	9.75	9.76	9.77	9.78	9.79	9.80	9.81	9.82	9.83	9.84	9.85	9.86	9.87	9.88	9.89	9.90	9.91	9.92	9.93	9.94	9.95	9.96	9.97	9.98	9.99	10.00	10.01	10.02	10.03	10.04	10.05	10.06	10.07	10.08	10.09	10.10	10.11	10.12	10.13	10.14	10.15	10.16	10.17	10.18	10.19	10.20	10.21	10.22	10.23	10.24	10.25	10.26	10.27	10.28	10.29	10.30	10.31	10.32	10.33	10.34	10.35	10.36	10.37	10.38	10.39	10.40	10.41	10.42	10.43	10.44	10.45	10.46	10.47	10.48	10.49	10.50	10.51	10.52	10.53	10.54	10.55	10.56	10.57	10.58	10.59	10.60	10.61	10.62	10.63	10.64	10.65	10.66	10.67	10.68	10.69	10.70	10.71	10.72	10.73	10.74	10.75	10.76	10.77	10.78	10.79	10.80	10.81	10.82	10.83	10.84	10.85	10.86	10.87	10.88	10.89	10.90	10.91	10.92	10.93	10.94	10.95	10.96	10.97	10.98	10.99	11.00	11.01	11.02	11.03	11.04	11.05	11.06	11.07	11.08	11.09	11.10	11.11	11.12	11.13	11.14	11.15	11.16	11.17	11.18	11.19	11.20	11.21	11.22	11.23	11.24	11.25	11.26	11.27	11.28	11.29	11.30	11.31	11.32	11.33	11.34	11.35	11.36	11.37	11.38	11.39	11.40	11.41	11.42	11.43	11.44	11.45	11.46	11.47	11.48	11.49	11.50	11.51	11.52	11.53	11.54	11.55	11.56	11.57	11.58	11.59	11.60	11.61	11.62	11.63	11.64	11.65	11.66	11.67	11.68	11.69	11.70	11.71	11.72	11.73	11.74	11.75	11.76	11.77	11.78	11.79	11.80	11.81	11.82	11.83	11.84	11.85	11.86	11.87	11.88	11.89	11.90	11.91	11.92	11.93	11.94	11.95	11.96	11.97	11.98	11.99	12.00	12.01	12.02	12.03	12.04	12.05	12.06	12.07	12.08	12.09	12.10	12.11	12.12	12.13	12.14	12.15	12.16	12.17	12.18	12.19	12.20	12.21	12.22	12.23	12.24	12.25	12.26	12.27	12.28	12.29	12.30	12.31	12.32	12.33	12.34	12.35	12.36	12.37	12.38	12.39	12.40	12.41	12.42	12.43	12.44	12.45	12.46	12.47	12.48	12.49	12.50	12.51	12.52	12.53	12.54	12.55	12.56	12.57	12.58	12.59	12.60	12.61	12.62	12.63	12.64	12.65	12.66	12.67	12.68	12.69	12.70	12.71	12.72	12.73	12.74	12.75	12.76	12.77	12.78	12.79	12.80	12.81	12.82	12.83	12.84	12.85	12.86	12.87	12.88	12.89	12.90	12.91	12.92	12.93	12.94	12.95	12.96	12.97	12.98	12.99	13.00	13.01	13.02	13.03	13.04	13.05	13.06	13.07	13.08	13.09	13.10	13.11	13.12	13.13	13.14	13.15	13.16	13.17	13.18	13.19	13.20	13.21	13.22	13.23	13.24	13.25	13.26	13.27	13.28	13.29	13.30	13.31	13.32	13.33	13.34	13.35	13.36	13.37	13.38	13.39	13.40	13.41	13.42	13.43	13.44	13.45	13.46	13.47	13.48	13.49	13.50	13.51	13.52	13.53	13.54	13.55	13.56	13.57	13.58	13.59	13.60	13.61	13.62	13.63	13.64	13.65	13.66	13.67	13.68	13.69	13.70	13.71	13.72	13.73	13.74	13.75	13.76	13.77	13.78	13.79	13.80	13.81	13.82	13.83	13.84	13.85	13.86	13.87	13.88	13.89	13.90	13.91	13.92	13.93	13.94	13.95	13.96	13.97	13.98	13.99	14.00	14.01	14.02	14.03	14.04	14.05	14.06	14.07	14.08	14.09	14.10	14.11	14.12	14.13	14.14	14.15	14.16	14.17	14.18	14.19	14.20	14.21	14.22	14.23	14.24	14.25	14.26	14.27	14.28	14.29	14.30	14.31	14.32	14.33	14.34	14.35	14.36	14.37	14.38	14.39	14.
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CURRENCIES AND MONEY

MARKETS REPORT

D-Mark stabilises

The D-Mark strengthened against the dollar and the pound yesterday as Germany's M3 money supply figures came in lower than expected, writes Motoko Rich.

Against the dollar, the D-Mark finished in London at DM1.5448 from DM1.5508. Against the pound, it closed in London at DM2.468, up from DM2.446.

The US currency came under some pressure as US treasury bond markets interpreted a higher than expected rise in housing starts as an indication that an interest rate hike is imminent. In recent months, the bond markets have been leading the dollar.

The dollar fluctuated against the yen in the face of a raft of ambivalent comments from US officials about trade talks with Japan in advance of the September 30 deadline for sanctions.

In London the dollar closed against the yen at ¥97.70 from ¥97.75.

The D-Mark turned in a strong performance, due in part to market relief that the M3 money supply showed a slowdown in annualised growth. Some investors had spent the past few days preparing for a rise.

The M3 grew an annualised 8.2 per cent in August, below the consensus forecast of 8.9 per cent and below a year-on-year growth rate of 9.6 per cent in July.

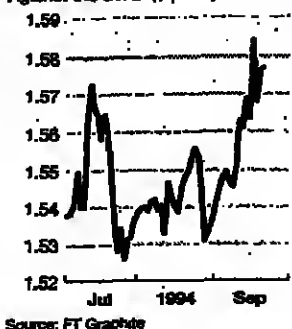
Following the release of the data, Bundesbank deputy president Mr Johann Wilhelm Gaudum said he was confident that the pace of money supply growth would continue to slow down.

While some economists warned that the Bundesbank could use this news as an opportunity to raise rates, Mr Gaudum further calmed the markets when he said: "We cannot be satisfied with the current inflation rate."

The markets took these comments as reassurance that the Bundesbank would not soon move to cut interest rates. "The market feels that the bottom in the German interest rate cycle has been established," said Mr Neil Mackinnon, economist at Citibank.

Sterling

Against the dollar (\$ per £)



Source: FT Graphs

Pound in New York		
Sep 21	-----Last-----	- Prev. close -
Spot	1.5780	1.5740
1 mth	1.5773	1.5732
3 mth	1.5754	1.5710
1 w	1.5553	1.5534

+/- High Low Val Pct				+/- High Low Val Pct			

AUSTRIA (Sop)

[illegible]

are 188 equity issues. All Orders: 30, SED Order: Treasury Control/Alerts & - 50 had Standard and Poor's - 10 95 17 -6.62

Continued... Calculated at 12:00 GMT on 5/10/94. The DJI just added interest rates & it's up 20 1/2 stock, whereas the actual day's biggest and lowest was during the day. The figures are approx and preliminary.

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ing: bonds (Industrial, plus Utilities, Finance and Transportation).
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 use daily 1/4. Contact us for official regulations.

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LIFE
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1. *Phragmites australis* (Cav.) Trin. ex Steud.

Age Group	1970	1980	1990	2000	2010	2020
0-14	15	12	10	8	6	5
15-24	10	12	14	15	15	15
25-34	10	12	14	15	15	15
35-44	10	12	14	15	15	15
45-54	10	12	14	15	15	15
55-64	10	12	14	15	15	15
65-74	10	12	14	15	15	15
75+	10	12	14	15	15	15

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Have y

4 pm close September 21

4 am along September 21

Stock	P/E	Div	Yield	High	Low	Last	Chng	Stock	P/E	Div	Yield	High	Low	Last	Chng	Stock	P/E	Div	Yield	High	Low	Last	Chng
ABS Inc.	0.30	19	40	14%	13%	14%	+1/2	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
ACC Corp.	0.1216	135	13	17%	17%	17%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
ACE	0.1216	135	13	17%	17%	17%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Acme Mills	20	872	25	23%	24%	24%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Acme Corp.	38	188	27	27%	24%	24%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Adaptex	18	558	30	19%	19%	19%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
ADT Inc.	36	1081	43	43%	43%	43%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Adventures	0.16	21	3	36	36	36	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Advo Serv.	0.16	21	3	36	36	36	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Advo Serv.	0.20	36	55	36%	34%	34%	-1	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
Aerovox	7	168	10	39%	39%	39%	0	Deleachings	0.44	19	14	21	21	21	-1/4	Overland	0.08	1.72	67%	17%	17%	17%	0
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1208	5 ¹ / ₈	4 ⁷ / ₈	5 ¹ / ₈	+1 ¹ / ₈
8 B704	18 ¹ / ₄	817	17 ⁵ / ₈	-3 ¹ / ₈
4 3886	9 ³ / ₈	5 ⁵ / ₁₆	5 ⁷ / ₈	+1 ¹ / ₄

[illegible]

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1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1971).

AMERICA

US equities extend losses at midsession

Wall Street

US stocks extended their losses yesterday morning as pessimism over monetary policy continued to dominate investment strategies, writes Frank McGurk in New York.

By 1 pm, the Dow Jones Industrial Average was 28.24 lower at 3,842.85, while the more broadly based Standard & Poor's 500 was down 2.24 at 461.12. Volume on the Big Board was fairly heavy, with 210m shares traded by early afternoon.

In the secondary markets, the American SE composite was 2.97 weaker at 455.18, and the Nasdaq composite was off 5.60 at 761.14.

Bargain hunters were in short supply at the opening, despite a 67-point tumble by the Dow the previous session.

On balance, the day's economic news was neutral for stocks. The commerce department said August housing starts had risen by 2.1 per cent, surprising analysts who were expecting a small decline. But economists later explained away the increase as a reflection of activity in the multi-family sector. Single-family starts, viewed as a more accurate barometer, were down last month.

Equity investors again interpreted the data through its impact on bond prices. Initially, the announcement of the headline figure sent Treas-

uries into retreat. Stocks took the bait and plunged. After the data had been interpreted, bonds quickly pulled back to within a few steps of their starting point. The Dow industrials followed suit.

By early afternoon, however, the blue chip index was still showing solid losses, as investors tried to calculate the odds on whether the Federal Reserve policy would remain on hold until after the November elections.

Mr Wayne Angell, chief economist for Bear Stearns and a former Fed governor, came out on the side of those betting on an early move, saying there was a 50 per cent chance the central bank would decide to tighten at its September 27 policy meeting.

With such speculation afoot, the market's negative tone would not budge. By early afternoon, losing issues on the NYSE held a three-to-one advantage over the advances.

Most of the declines were fractional. Caterpillar slipped 3/4 to \$54.75, IBM edged 3/4 lower to \$68.75 and Sears shed 1/2 to \$44.75. Among the Dow components, United Technologies stood out with a 1 1/2 per cent decline to \$61.75.

The session's biggest loser was Maybelline, whose share prices plunged 25 per cent, or \$6 1/2 to \$18.75. The cosmetics company warned that its third-quarter net income would fall short of last year's result.

Banco Wiese climbed 3/4 to

\$23 1/2 in its debut session. It became the first Peruvian stock to be listed on the NYSE with its IPO of 2.4m shares.

On the Nasdaq, Lotus Development led the technology sector's slide. The stock fell 8 1/2 to \$38 1/2 after Mr Timothy McConlun, an analyst at Dean Witter Reynolds, warned that lacklustre European sales could depress third-quarter results.

Canada

Toronto was under pressure from US bond losses at midday, with Wall Street's weakness adding to the downward impetus. The TSX 300 composite was 19.77 lower at 4,367.10 by noon in brisk volume of 36.8m.

The transportation sector led declines with a fall of 1.6 per cent as Laidlaw A shares gave up 1/2 to \$10.75 after Tuesday's news that it was to sell its stake in Attwoods to Brown-Petris Industries.

Brazil

Shares were up more than 2 per cent in early trading in Sao Paulo as prices rallied on renewed optimism over the chances of presidential candidate Mr Fernando Henrique Cardoso securing election on the first ballot on October 3.

The Bovespa index was up 1.147 at 52,621 in turnover of R\$171.1m (\$199.4m).

Mr Cardoso is currently leading opinion polls with 45 per cent of the vote.

EUROPE

Paris dips below 1,900 despite M3 data

The German M3 data lifted sentiment in the morning, countering Wall Street's fall on Tuesday, but trading was generally nervous.

FRANKFURT saw a volatile day as the Dax index hit an early low of 2,079.50 before closing the official session just 0.54 ahead at 2,079.50.

The M3 data which was released early on had a positive impact on trading as it came in much better than analysts' had been expecting.

The Bundesbank reported that German M3 money supply grew by an annualised 8.2 per cent in August, down from 9.3 per cent in July. Expectations had been for an increase of between 8.5 to 9.0 per cent.

In the Dax the strength edged slightly to 2,087.17.

Turnover was DM\$5.5bn.

PARIS closed under the 1,900 level for the first time since the beginning of July as fears that interest rates might have to rise throughout Europe outweighed the better than expected German data.

The CAC-40 index retreated 22.07, or 1.15 per cent, to 1,897.18.

Turnover was FF\$3.53bn.

FT-SE Actuaries Share Indices

Sep 21		THE EUROPEAN SERIES									
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close			
FT-SE Europe 100	1341.85	1340.77	1340.94	1340.97	1342.07	1344.86	1340.21	1340.54			
FT-SE Europe 200	1387.15	1385.12	1384.58	1383.05	1384.82	1387.91	1384.85	1383.92			

Sep 20		Sep 19									
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close			
FT-SE Europe 100	1342.33	1358.08	1358.91	1358.54	1360.28						
FT-SE Europe 200	1388.74	1404.55	1406.28	1415.84	1401.56						

Base 1000 28/10/93, Revised: 700 - 1349.52; 200 - 1395.02; London: 100 - 1380.75; 200 - 1391.08; 1 Point

The budget did not cause a stir as most of the proposals had already been in the market.

Eridania Beghin-Say lost FF\$9 to FF\$750 on news that the chairman was to resign. The company also announced first half results, which were at the bottom end of expectations.

Canal Plus fell FF\$25 to FF\$74 on first half results released after the close on Tuesday, which were down some 25 per cent and a forecast of a net profit fall for the full year.

ZURICH marked time in moderate trading, supported by the German M3 data, but awaiting further developments on Wall Street and the SMI index rose just 1.0 to 2,594.0.

Unilever, off 70 cents at F1194.00, was affected by reports of lower domestic sales for its washing powders and the weaker dollar.

MILAN found corporate developments a welcome diversion from political and budget considerations and the Comit index rose 4.91 to 678.34.

Italcementi was L150 better at L11,800 in the wake of Tuesday's higher-than-expected first half results and Fondiaria dipped 1.25 to L11,755 after releasing first half figures that were in line with expectations.

Manufacturers were underpinned by strong June industrial sales and orders figures. Fiat was up L77 at L6,694 and Pirelli rose L47 to L2,608. Olivetti, under pressure in recent sessions, was L11 higher at L3,027 ahead of today's first-half results.

BCI gained L39 or 2.3 per cent to L4,031 as the market registered its relief that the L2,400bn rights issue had closed.

Insurers continued to gain on hopes that they would benefit from pensions reform. Generali closed L371 higher at L39,584, RAS was up L429 at

L25,728 and Toro was L210 higher at L27,520.

MADRID was lower in trader-dominated volatile activity as the market tracked fluctuations in the dollar and bonds, and the general index was down 1.93 at 294.79 in turnover of Ptas33.3bn.

DENMARK was holding its general election yesterday. Unibank Securities said that it expected the outcome to be a Social Democratic government with or without the participation of the Social Liberals. But political stability could be affected by the inclusion of the Socialist People's party and the Red/Green Alliance, making it more doubtful that major reforms could be implemented.

The KFX index was down 0.5 at 85.45.

STOCKHOLM picked up from early losses but turned lower again late in the day after Mr Ingvar Carlsson's announcement that he intended to form a minority SPD government. The Affarsvarden Index fell 12.60 to 1,420.2.

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC

Kuala Lumpur records an eight-month high

Tokyo

Buying by public funds, investment trusts and overseas investors countered corporate selling and the Nikkei index gained ground in spite of the higher yen and the overnight decline on Wall Street, writes *Eniko Terasaki in Tokyo*.

The Nikkei index rose 48.11 to 19,885.38 after a high of 19,961.59 and a low of 19,861.44. The index initially fell on worries which were triggered by the yen's rise against the dollar and by declines in US stock and bond prices.

Arbitrage unwinding coupled with selling by companies looking to boost their interim earnings weighed on prices. However, postal savings and postal insurance, together with investment trust funds, lifted the index in the afternoon.

The US currency closed below the Y99 level for the first time in two months in spite of heavy Bank of Japan dollar buying intervention. The dollar's weakness was triggered by the larger than expected US trade deficit figures released on Tuesday.

Volume rose to 380m shares against 342m. The Topix index of all first section stocks added 4.85 to 1,585.96, while the Nikkei 300 rose 0.88 to 2,89.84. Advances led declines 546 to 458, with 182 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 1.00 to 1,396.33. Large capital steels were traded actively and profit-taking by corporate investors and buying by public funds and overseas investors. Nippon Steel, the most active issue of the day, rose Y3 to Y386 after hitting a year's high of Y390 and NEK added Y5 to Y285.

Semiconductor related stocks were higher. Oki Electric rose Y16 to Y788. The company had said earlier this week that its pre-tax profit would rise to a record Y30m thanks to firm sales of semiconductors and its rationalisation programme.

Brokers were mixed. Yamachi Securities fell Y11 to Y773 and Nikko retreated Y10 to Y1,110 while Nomura Securities gained Y10 to Y3,120. After the market closed, the Big Four and second tier brokers announced downward revisions of interim earnings due to the lower than expected

trading volume on the Tokyo stock market.

In Osaka, the OSE average rose 107.97 to 22,089.58 in volume of 482.7m shares.

Roundup

Wall Street's overnight fall dampened the mood in much of the region although there were exceptions. Hong Kong and Seoul were closed for public holidays.

KUALA LUMPUR was spurred to an eight-month high by gains in key blue chip stocks, although the broader market was easier as investors looked for profits.

The composite index closed 5.49 higher at 1,911.14, but falls led rises 267 to 156.

Volume was a heavy 585m shares as retail investors swarmed into rumour-driven stocks. MFB Capital again led the pack on takeover rumours, adding another 22 cents to

M\$4.20 in volume of 50.9m shares.

Berjaya South Island jumped M\$3.30 or 62 per cent to M\$24.0 after Tuesday's M\$2.70 advance, amid talk of a water sewage project.

SHANGHAI's volatile A share index surged 6.2 per cent in a technical rebound after the heavy losses of the previous six sessions. The index put on 58.31, through the 1,000 level, to finish at 1,033.22 in turnover of Yn\$9.92bn.

The day's star performer was Foshou Dong Jie Kou Department Store, up Yn\$1.90 or 17.6 per cent to Yn\$13.68 in huge volume of 7.12m shares.

Shanghai's B share index edged up 0.40 to 83.76 on very thin volume. Shenzhen's A share index rose 10.51 or 4.9 per cent, to 227.04 but the market halted trading for the public holiday in Hong Kong.

BANGKOK rebounded from early falls amid buying of

finance and communications issues.

The SET index closed 1.93 higher at 1,531.98 after falling as low as 1,506.90.

Securities One soared B\$56 to B\$694 after announcing a capital increase.

SYDNEY was lower in line with Wall Street's overnight decline, and the All Ordinaries index dropped 18.5 to 2,026.5, its lowest closing level since July 14.

The media sector recorded heavy falls with News Corp 24 cents lower at A\$8.21 after its ADRs fell in New York.

TAIPEI finished lower in active trade amid profit-taking on financials and worries about uncertainty in overseas financial markets. The weighted index ended 48.80 lower at 6,999.44, off a 7,092.06 high. Turnover was T\$64.3bn.

Eightgroup Computer rose by the daily 7 per cent limit to T\$61 on its debut.

MANILA was steady with mining issues rising to counter the downturn in commercial issues. The composite index settled 0.27 up at 2,920.46 in volume that dropped to 2.5m shares from Tuesday's 3.1bn.

Philix Mining led the mining issue rally as its share price jumped 3.9 per cent to 2.70 pesos.

BOMBAY was led ahead by late buying by domestic mutual funds, which reversed an earlier trend during the first half of the session as Calcutta-based traders liquidated holdings on the last day of their fortnightly account.

The BSE 30 share index, which had lost more than 120 points in the previous two sessions, picked up 18.73 to 4,507.11.

● The IFU weekly emerging markets table has been held over this week and will be published tomorrow.

Golds take lead in S Africa

Gold shares took the lead for the second consecutive session encouraged by the bullion price. But some industrials retreated on some big sell orders and generally negative sentiment.

Brokers noted that gold shares were reluctant to move with the bullion price at \$393/94 and there was some selling into strength, but investors began to pick up interest after midday when it went through \$396.50. By the close

of trade, bullion was easier around \$394/5. September near-term futures still called the market substantially lower and there was continued nervousness on lack of clear direction from international markets.

The overall index shed 18 to 5,782. The industrial index lost 70 to 6,368 but the gold index was 38 up at 2,473.

In golds, Vaal Reefs gained R16 to R498 and Kloof added R1.75 to R71.75.

FT-Actuaries World Indices

At its last quarterly meeting, the FT-Actuaries World Index Policy Committee noted the growing number of companies choosing to separate their registration, tax domicile, share pricing, business and stock market listing into different countries. If a sufficient number of large companies can be found that individually satisfy the FT-AWI eligibility criteria, the Committee may consider establishing an international index, allowing such companies to be included in the World Index, although not in any of the existing country indices. The Committee would welcome comments.

● The Committee ratified its previously announced clarification of the guidelines regarding treatment of certain government holdings in companies. This will be applied with effect from October 1.

● A change has been proposed (subject to confirmation) in the procedures governing the FT-AWI Large and Medium-Small Cap Indices. Currently new constituents are ranked as Large or Medium-Small on the date that they are added to the index. This makes it impossible to pre-announce Large and Medium-Small Cap Indices changes when this is done for the main FT-AWI series. In order to give users of the Large and Medium-Small Cap Indices the same notice as users of the other FT-AWI indices, the following amendments are proposed:

1. Rank stocks before their effective addition date. These rankings would be "official" and would not change, regardless of changes in market capitalisation between the ranking date and the addition date.

2. We currently use a 15-day notice period for the semi-annual re-balancing. However, the changes are implemented 15 days after the beginning of the quarter (January 15 and July 15), leaving no way to pre-announce the rankings for the regular quarterly changes.

3. To address this issue, the semi-annual re-balancing for the Large and Medium-Small Cap Indices will be moved from January and July to March and September, with the changes effective from April 1 and October 1. This will enable us to pre-announce the constituent changes to the Large and Medium-Small Cap Indices.

4. The following constituent changes to the indices were agreed following full market reviews, to take effect on October 3 1994:

France. Additions: Credit Local de France; Christian Dior; Pollet Legard Group; Castorama DuBois; Cap Gemini Sogefi; Sidel. Deletions: Elf Aquitaine (certs); Salins du Midi; Radiotechnique.

Netherlands. Deletions: AMEV; New Rothmans Units; Central Suiker (CSM); Gist-Brocades; Nutricia; Nedlloyd Group; Pakhoed Holding; Folkner.

New Zealand. Additions: Fernz Ceramco; Progressive Enterprises; Skellerup Group. Deletions: DB Group; Tasman Properties; Wilson Neil; Corporate Investments.

Other. Addition: Fomento de Construc y Contru. Deletions: Duro Felguera; Agromar; General de Aguas de Barcelona; Union y Fenix; Esp. a. Tudor. Change to capitalisation weighting: Banco Exterior 100 per cent (from 49 per cent).

● The Committee confirmed that Thailand and Brazil will be added to the World Indices with effect from November 1 1994, along with a new Asian Pacific Index. The World Ex-South Africa Index will be discontinued from the same date, but in response to the wishes of many users of the indices, the current North America Index will be maintained.

All enquiries should be made to Symon Bradford, NatWest Securities Ltd, on 031-242-4258 or Barbara Mueller, Goldman Sachs Co, on 0201-212-903-6777.

FT-ACTUARIES WORLD INDICES

JANUARY 1994											
NATIONAL AND REGIONAL MARKETS											
Figures in parentheses show number of lines of stock.											
TUESDAY SEPTEMBER 20 1994											
MONDAY SEPTEMBER 19 1994											
DOLLAR INDEX											
US Dollar Index											
US Dollar Index											
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